CALIFORNIA TRANSPORTATION COMMISSION

2007 Annual Report to the California Legislature

CALIFORNIA
TRANSPORTATION
COMMISSION

The California Transportation Commission is an independent state commission responsible for programming and funding several billion dollars annually for transportation projects in California in partnership with the California Department of Transportation (Caltrans) and regional transportation agencies. The Commission is also responsible for advising the California Secretary of Business, Transportation and Housing Agency and the California Legislature on key transportation policy matters.

TABLE OF CONTENTS

TABLE OF CONTENTS

Members of the Legislature: We are pleased to present the California Transportation Commission's (Commission) 2007 annual report to you. This has been an unprecedented year for the Commission. As we noted in last year's annual report, the Commission stood ready "to implement Proposition 1B expeditiously, fairly and in keeping with the trust you have invested in the Commission." We believe that we achieved these objectives in programming $8 billion of the nearly $12 billion in Proposition 1B funding for which the Commission is responsible.

This level of bond programming is ahead of other state agencies responsible for programming, allocating and monitoring 2006 infrastructure bond proceeds. While the Commission had difficulty in the initial phases of programming the Corridor Mobility Improvement Account (CMIA), the end result funded the best mobility and congestion relief projects throughout the state. That over $11.3 billion worth of projects were nominated for a program that had $4.5 billion available to it is testimony to the pent-up demand that exists in California for congestion relief. The oversubscription of the CMIA reflects the decades-long neglect in providing mobility solutions to keep pace with the state's population and economy.

The Commission also programmed the entire $1 billion in State Route 99 funding in 2007, as well as augmenting the 2006 State Transportation Improvement Program with $2 billion in new Proposition 1B funding. And, the Commission augmented the 2006 State Highway Operation and Protection Program with $500 million in bond proceeds.

As the year comes to a close, the Commission has adopted guidelines for the Trade Corridor Improvement Fund (TCIF), the nation's first program dedicated to transportation infrastructure improvements that support freight movement. The Commission intends to adopt the TCIF by the end of April 2008. In addition, the Commission is preparing guidelines for the Traffic Light Synchronization Program, the Grade Separation Program, and the Local Seismic Safety Program. The Commission will adopt programs of projects for each and begin making allocations by the end of the 2007-08 fiscal year. By the end of the fiscal year, the Commission expects to have programmed $11 billion of the $12 billion entrusted to it.

As important as the programming effort has been, the Commission has also directed its attention to enhancing accountability measures for delivering the programs. By requiring that the projects funded in the CMIA, State Route 99, and the TCIF programs be under construction within five years, the Commission is putting a premium on project delivery. The Commission has entered into baseline delivery agreements with the Department of Transportation (Caltrans) and regional agencies that guide the scope, schedule and budget for these priority projects. Working with these partners, the Commission intends to help manage these complex projects for success, recognizing the inevitable challenges that lay ahead for many of the projects.

The Commission has also stepped up its efforts to address environmental concerns and issues in the development and implementation of Proposition 1B programs. Doing so is consistent with the intent of the bond measure. Additionally, President Pro Tempore Perata asked the Commission to lead an effort to explore ways in which environmental concerns could become more visible in the crafting of regional transportation plan guidelines, which the Commission is bringing to fruition at the end of the year.

We are proud to report that the Commission again set an allocation record, investing more than $4.5 billion in transportation funds to 944 projects statewide. During 2007 the state had more than $10 billion in transportation contracts under construction, another first for California.

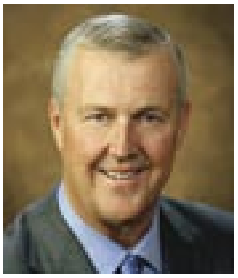
But this robust level of transportation investment is likely to diminish over the next two years, even with the unprecedented $20 billion in Proposition 1B funding available. The state's chronic budget deficits threaten to ensnare transportation funds in deficit reduction schemes that have little to do with providing mobility. As part of the 2007-08 budget, $1.3 billion in spillover revenues were diverted from transportation for deficit reduction. The budget mechanism used to divert the $1.3 billion remains in place for the next two years, resulting in significant reductions in funding available for transit capital projects. Uncertainty about the deficit for the 2008-09 fiscal year puts Proposition 42 funds at risk for diversion, which could have an adverse impact on the Commission's ability to fund existing State Transportation Improvement Program (STIP) commitments, as well as adopt the 2008 STIP on time.

With nearly half of the CMIA and State Route 99 projects requiring STIP funding, shortages or delays in funding the STIP could result in schedule delays and cost increases to CMIA and State Route 99 priorities that imperil their Proposition 1B funding. Our admonishment last year about the dismal shape of basic state transportation funding is even more relevant today and into 2008. We can barely afford half of the state's major rehabilitation needs. Both transit capital and transit operating resources are inadequate to meet the needs of today's riders, let alone fund needed service improvements to comply with coming climate action regulations. Congestion relief funding remains uncertain long term, especially after the bond funds are fully allocated in the next five years.

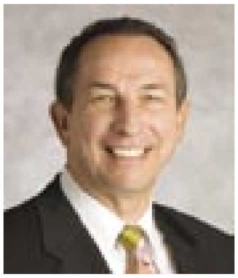
The Commission urges both the Legislature and the Administration to keep these issues in mind as you deliberate on the difficult choices for closing the budget gap.

The coming year promises to be another busy one for transportation. The Commission is ready to work with you on implementing the remaining elements of Proposition 1B. We are prepared to work on budget deficit reduction with you as well. And, we look forward to maintaining the momentum we have established on emission reduction and sustainability efforts.

Sincerely yours,



James C. Ghielmetti
Chair



John Chalker
Vice Chair

ISSUES FOR 2008

Three major issues will dominate the transportation community's agenda in 2008. The first is continuing to implement Proposition 1B programs and furthering accountability measures begun in 2007. The second is managing existing programs amidst uncertain budget and revenue forecasts. The third is working to incorporate Assembly Bill (AB) 32 greenhouse gas (GHG) reduction measures into the planning, programming and implementation of transportation projects.

Implementing Proposition 1B

The California Transportation Commission (Commission) is on schedule to adopt the Trade Corridors Improvement Fund (TCIF) Program in the spring of 2008. The Commission will also adopt the Traffic Light Signal Synchronization Program and the Highway Railroad Crossing Safety Account Program by the end of the 2007-08 fiscal year. With adoption of these three programs, the Commission will have only one Proposition 1B program yet to adopt, the State-Local Partnership Program. By the middle of 2008, the Commission will shift from programming to implementation mode for eight of the nine Proposition 1B programs under its purview.

The transition to implementation mode means that the Commission, the Department of Transportation (Caltrans), and regional agencies will now need to sharpen their focus on project delivery and accountability. The delivery deadlines embedded in most of the Proposition 1B programs serve as key incentives to keep projects moving through the delivery process. The Commission's accountability measures, principally its advisory Delivery Council, are designed to help manage projects to successful delivery. This level of project scrutiny, combined with the bi-annual reporting requirements, is unprecedented at the state level. The Commission expects to spend considerable time working with Caltrans and regional agencies to ensure that project oversight is appropriate and transparent. Our view is that the enhanced reporting and accountability will become the norm for transportation infrastructure projects.

Managing Existing Programs While Facing Funding Uncertainties

In the Commission's view, the most important issue facing 2008 is what impact the proposed 2008-09 budget deficit will have on transportation funding. A diversion of Proposition 42 funding could not only delay implementing already programmed State Transportation Improvement Program (STIP) projects, it could imperil project delivery schedules for Proposition 1B projects. More than half of the Corridor Mobility Improvement Account (CMIA) projects depend on near-term STIP funding to ensure delivery to the construction phase and the allocation of CMIA funding. Similarly, the thirteen projects in the Route 99 Corridor Account are reliant on STIP funding for pre-construction work.

Moreover, delays and diversions of anticipated transportation revenues could imperil the timely adoption of the 2008 STIP. The basic transportation funding picture is eerily reminiscent of that in 2003-04. While transportation enjoys an embarrassment of bond funding, day-to-day funding may be in such short supply that the Commission may be forced to adopt a STIP allocation plan that results in limited delivery and costly delays.

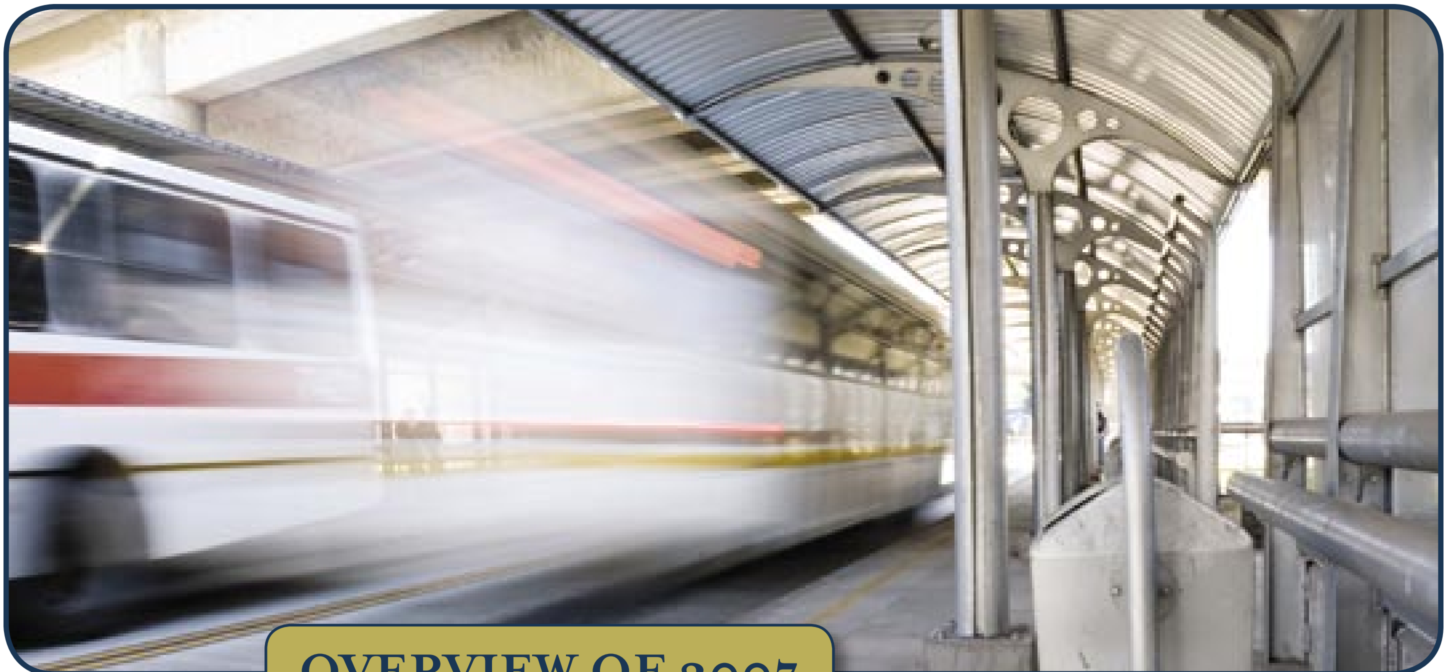
The Commission recommends that the Legislature and the Schwarzenegger administration work with the transportation community on the mechanics of implementing any proposed cuts to transportation funding. A temptation exists to back-fill the loss or delay of base funding with Proposition 1B resources. This strategy may be expedient, and, ultimately, the only course of action. However, such a strategy is only a temporary salve for the dearth in ongoing transportation revenues to meet the state's mobility and rehabilitation needs. And, such a strategy may take several years to work through, as we have experienced with the allocation plans of 2003, 2004, and 2005.

One program requiring special attention in 2008 is the Traffic Congestion Relief Program (TCRP). This current fiscal year, 2007-08, is the last year in which a sizable amount of funding is guaranteed to the program. Beginning in 2008-09, the program will only have approximately $80 million available annually until 2016 as pay-back for earlier budget borrowings, as per Proposition 1A in 2006. Additional resources to the TCRP could be tribal gaming revenues that have been promised as repayment as well. However, based on history, the prospects of tribal gaming revenues being available on a reliable basis are not good. The result is that some existing TCRP projects are likely not to have sufficient annual resources to maintain project delivery. The Commission is working with TCRP project sponsors to determine the best course of action to keep the projects on track. This issue may require legislative action to enhance the flexibility available to the Commission and project sponsors to resolve project funding challenges.

Climate Action Reduction Measures and Transportation

The coming year promises to bring continuing attention on how the transportation community can play its role in implementing AB 32, the California Global Warming Solutions Act of 2006. Reducing GHG has become a priority for both the Legislature and the Schwarzenegger administration, and is emerging as a priority for the transportation community as well. In 2007, the Commission convened a work group of transportation and environmental community stakeholders to ascertain ways in which Regional Transportation Plans (RTP) can begin to incorporate GHG strategies. The transportation and environmental community stakeholders worked with the Commission to address emission reduction factors in the TCIF Program . The Commission expects to maintain this outreach to help facilitate the work the California Air Resources Board (CARB) will be undertaking to develop reduction targets and strategies for the transportation sector.

As the state's major Metropolitan Planning Organizations (MPOs) update their RTPs, the organizations are strengthening the nexus that already exists between emissions reduction and transportation improvements to incorporate GHG reduction strategies. Increasingly the issues of mobility, sustainability, and environmental enhancement are becoming intertwined, challenging California's transportation community to broaden the role and responsibility of transportation in meeting the state's anticipated growth. ■



OVERVIEW OF 2007

Implementing Proposition 1B dominated the California Transportation Commission's (Commission) agenda for 2007. Starting with the adoption of the Corridor Mobility Improvement Account (CMIA) in late February, through the passage of the State Route 99 program in March, onto the adoption of the State Transportation Improvement Program (STIP) augmentation in June, to the adoption of the State Highway Operation and Protection Program (SHOPP) augmentation in July, and finally to the adoption of the Trade Corridor Improvement Fund (TCIF) guidelines in late November, the Commission made implementing the mandate the voters provided with Proposition 1B the top priority.

Detailed descriptions of these programs are provided in subsequent sections of this annual report.

In last year's report, the Commission identified five key issues for 2007, in addition to implementing Proposition 1B:

- Pursuing stable state transportation financing
- Meeting the rehabilitation and maintenance needs of the state highway system
- Creating public-private partnerships in transportation
- Investing to support goods movement and logistics
- Preparing for the next round of federal transportation reauthorization

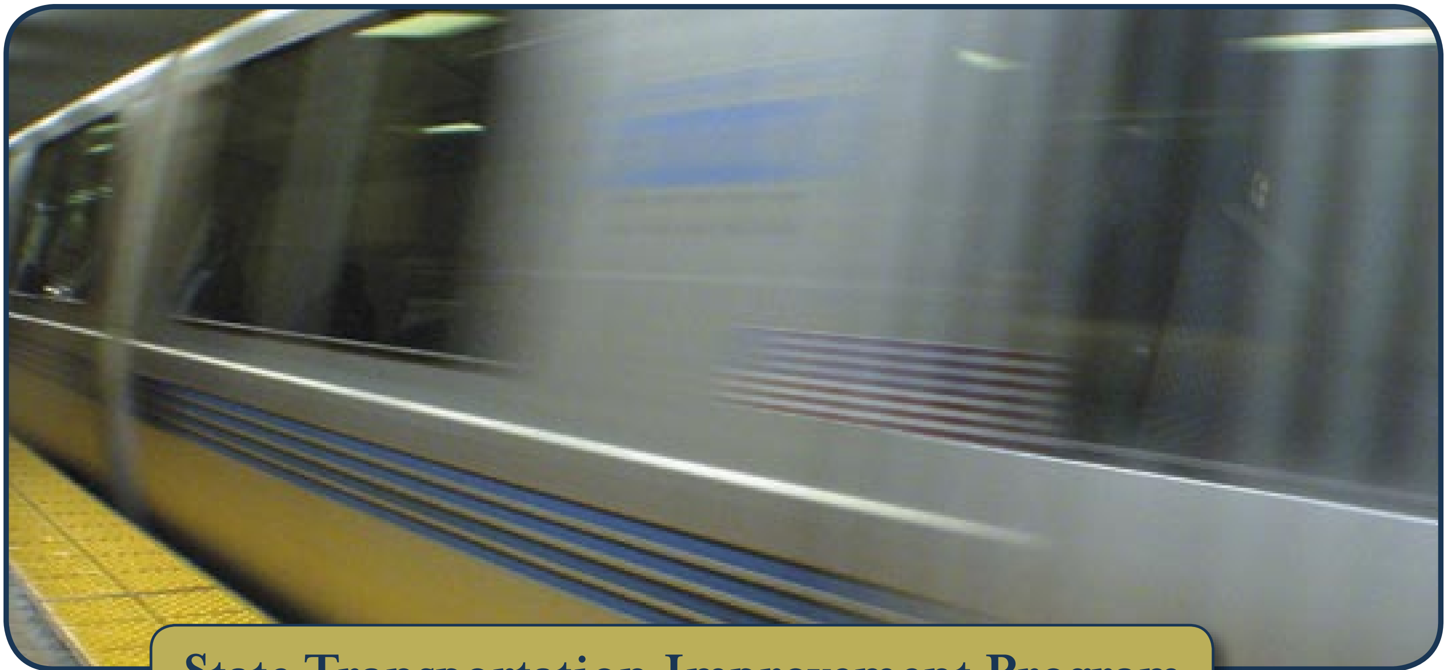
Each of these issues remains salient for 2008 as well. Stable state transportation funding that can meet the needs of both the Department of Transportation (Caltrans) and regional agencies remains elusive. Reliable funding for transit operators is similarly challenged. The budget picture for 2008-09 and 2009-10 does not augur well for pursuing increases in base transportation funding. Unless the conversation about increasing revenue begins now, the ability to take advantage of opportunities to enhance funding may be lost. The Commission would reiterate its recommendation that the Legislature convene a blue-ribbon transportation funding task force charged with identifying and recommending options for funding that are appropriate for the second decade of the century.

Rehabilitating and maintaining the existing investment in transportation infrastructure is among the most urgent needs for enhanced funding. Agencies at all levels of government in California are under pressure to keep up with maintenance, let alone rehabilitation. Caltrans' inventory of distressed lane miles in the state highway system increased, while the available funding for maintenance and rehabilitation barely covered half of the annual need in 2007. This is a trend that started earlier in the decade and shows no signs of reversing any time soon. And, cities and counties experience the same challenge.

The prospects for public-private partnerships in transportation brightened somewhat in 2007 as the Commission adopted guidelines for selecting hot lane demonstration projects. The Commission expects that at least two agencies in Southern California will pursue hot lane projects in 2008. Although hot lane projects are modest public-private partnership opportunities compared with the programs other states are implementing, it is incumbent upon the state's transportation community to demonstrate that these projects are viable solutions to enhancing mobility. As agencies achieve more incremental successes with public-private partnerships (and public-public-private partnerships), the Commission would hope that the Legislature would reward the transportation community with increasing partnership powers.

Investing in goods movement and logistics became a front-burner issue in 2007 and promises to remain so in 2008. The Commission's efforts on TCIF guidelines are the culmination of numerous regional and state efforts to forge a consensus on how to initiate a sustainable program for ensuring that freight movement and logistics continue to be key drivers of California's economy — and contribute to reversing the growth in environmental impacts caused by transportation.

As the year closes, the transportation community is beginning to coalesce to engage actively in the federal transportation reauthorization process. Federal transportation funding prospects are bleak, with the federal Highway Trust Fund due to run a deficit of approximately $4.5 billion by the end of the decade. Passage of Proposition 1B has made California a "self-help" state, which ameliorates some of the near-term impacts of decreasing levels of federal resources. However, federal funding is key to funding the state's maintenance and rehabilitation programs and is integral to meeting the needs of regional agencies in California. The National Surface Transportation Policy and Revenue Study Commission is poised to release its recommendations to the Bush Administration and Congress, which should elevate the national discussion on enhancing transportation revenues. It is important that California's efforts to increase revenue dovetail with the national discussion.



State Transportation Improvement Program

The State Transportation Improvement Program (STIP) is the biennial five-year plan adopted by the California Transportation Commission (Commission) for future allocations of certain state transportation funds for state highway improvements, intercity rail, and regional highway and transit improvements. Under law, the Commission ordinarily adopts a new biennial STIP in even-numbered years, with each new STIP adding two new years to prior programming commitments.

Prior to 2005, STIP funding came primarily from state and federal gasoline excise tax revenues through the State Highway Account, with a small amount from fuel sales tax revenues through the Public Transportation Account (PTA). State Highway Account (SHA) revenues were available for the STIP after first funding state highway maintenance and operating costs and state highway preservation and safety needs through the separate State Highway Operation and Protection Program (SHOPP). Since 2005, SHA revenues have been insufficient to meet operating and SHOPP needs, leaving none for the STIP except a small amount dedicated to the federal Transportation Enhancement (TE) program. Today, STIP funding comes primarily from Proposition 42 Transportation Investment Fund (TIF) transfers (gasoline sales tax), from Proposition 1B bond proceeds, and from the PTA.

Augmentation to the 2006 STIP

When the voters approved Proposition 1B bond measure in November 2006—including the authorization of $2 billion for augmentation of the STIP—the Commission responded by inaugurating a special 2006 STIP Augmentation cycle to program the new funds by June 2007, without waiting for the 2008 STIP. When the Commission adopted the original 2006 STIP in April 2006, funding constraints meant that many projects proposed in Regional Transportation Improvement Programs (RTIPs) and in the Department of Transportation (Caltrans) Interregional Transportation Improvement Program (ITIP) were either not programmed or were programmed for years later than the years the projects could be delivered.

Through the 2006 STIP Augmentation, the Commission was able to advance the programming of about $940 million in projects, add $2 billion in highway project funding from the new Proposition 1B capacity, and add $530 million in transit project funding with PTA capacity remaining from the original 2006 STIP. For further discussion of the special 2006 STIP Augmentation cycle, see the later chapter of this report on the Proposition 1B STIP Augmentation. That chapter includes a listing of the major highway projects that the Commission added or advanced. The major transit projects added include 50 light rail vehicles in Los Angeles ($118.7 million); Exposition light rail extension to Santa Monica project in Los Angeles ($84 million); and Capitol light rail extension to Eastridge project in Santa Clara County ($57.5 million).

2008 STIP Fund Estimate

The development of the 2008 STIP began this year with the Commission's adoption of the 2008 STIP fund estimate, together with the adoption of amendments to the STIP guidelines, on October 24, 2007. The Commission had exercised its option under state law to delay the adoption of the fund estimate beyond the statutory August 15 date because of pending state and federal legislation that would have a significant impact on the STIP fund estimate. In this case, the delay was about two months, to take into account final action on the state budget and trailer bills and final action on SB 717, which reduced the distribution of PTA funding to the STIP in future years. The Commission will adopt the 2008 STIP on May 29, 2008, following the required public hearings.

The 2008 STIP Fund Estimate identifies the $1.164 billion in net new capacity available for the two years added to the STIP, 2011-12 and 2012-13, as well as net increases or decreases in capacity for earlier years. Programming in the 2008 STIP will be constrained by fiscal year, with most new programming in the two years added to the STIP, 2011-12 and 2012-13. The table below summarizes the 2008 STIP program capacity. The STIP Target Capacity is the total value of projects that can be funded each year. The 2006 STIP Program represents the annual programmed amounts for projects based on the Augmented 2006 STIP. The New STIP Capacity, the STIP Target Capacity less 2006 STIP Program, is the excess or shortage of capacity to fund the current program.

In adopting the fund estimate and procedural guidelines for the 2008 STIP, the Commission stated its intent to give first priority to the reprogramming of projects from the 2006 STIP, as amended, and to new projects to meet county shares for the period ending 2011-12 (though the Commission might need to program the new projects for 2012-13). Because of the reduction in anticipated revenues since the 2006 STIP was adopted, the 2008 STIP will need to reprogram many currently programmed projects to a later fiscal year. As indicated in the fund estimate tables approximately 25.9 percent of what is now programmed for 2008-09 will need to be delayed to a later year; 28.7 percent programmed in 2008-09 and 2009-10 will need to be reprogrammed to 2010-11 or later; and 19.4 percent programmed through 2010-11 will need to be reprogrammed to later years. Any cost increases or other new programming in early years will require more reprogramming to later years.

Estimated PTA funding falls about $14 million short of funding all the rail and transit projects now programmed in the STIP, and $500 million of what is estimated for PTA is in the 2008 STIP's last two years. This means that if there were no new rail and transit proposals, then $500 million of the $829 million in existing rail and transit projects (60 percent) would need to be delayed to the last two years, while $14 million in current transit projects would be funded with non-PTA funds. On the other hand, if there were $500 million in new transit projects programmed in the last two years, then all currently programmed transit projects could be retained in the first three years, with $514 million of them receiving non-PTA funding. In general, existing rail and transit projects may be retained in the first three years to the extent that new transit projects are programmed, and the Commission intends to give priority to retaining current rail and transit projects where new rail and transit projects are proposed for the last two years. After RTIPs are submitted, Commission staff will work with impacted regions to minimize transit project delivery delays.

2008 STIP FE • STIP PROGRAM CAPACITY
($ in millions)

	2007-08	2008-09	2009-10	2010-11	2011-12	2011-12	Total
STIP Target Capacity	$2,113	$2,071	$1,015	$1,057	$1,040	$1,091	$8,388
2006 STIP Program	$2,275	$2,515	$1,441	$847	$73	$73	$7,224
News STIP Capacity	($162)	($444)	($426)	$211	$967	$1,018	$1,164

The selection of projects for additional programming will be consistent with the standards and criteria in the STIP guidelines. In particular, the Commission intends to focus on RTIP proposals that meet State highway improvement needs as described in the guidelines. As specified in the guidelines, Caltrans may nominate or recommend State highway improvement projects for inclusion in RTIPs and identify any additional State highway improvement needs within each region that could be programmed by 2015-16 (three years beyond the end of the STIP period). Caltrans was to provide these recommendations and identification of needs to regional agencies and to the Commission at least 90 days prior to the due date for the RTIPs (i.e., November 19, 2007).

2008 STIP Shares and Targets

At the end of this chapter is the table of 2008 STIP county shares and targets. The table takes into account all county and interregional share balances through the Commission's September 20, 2007 meeting (including the adoption of the 2006 STIP Augmentation), as well as the new statewide STIP capacity. For each county and the interregional share, the table identifies the following amounts:

- **Base (minimum).** This is the share for each county and the interregional program through 2011-12, the end of the county share period that falls within the 2008 STIP period. It is calculated as the sum of the share balance through the July 2007 Commission meeting and the STIP formula share of the statewide new capacity available through 2011-12. In accordance with statute and the STIP guidelines, the Commission will program all RTIP proposals that fall within this amount unless it rejects the RTIP in its entirety.
- **Target.** This amount is determined by calculating the STIP formula share of all new programming capacity available through the end of the 2008 STIP period, 2012-13. It is not a minimum, guarantee, or limit on project nominations or on project selection in any county or region for the 2008 STIP.
- **Maximum.** This amount is determined by calculating the STIP formula share of all projected revenues, including Public Transportation Account revenues, through the end of the county share period that extends beyond the STIP period, 2015-16. This represents the maximum amount that the Commission may program in a county, other than to advance future share to a county under 1 million population pursuant to Streets and Highways Code Section 188.8(j).

In addition, the table includes targets for programming project funding from federal TE funds from each county and the interregional share. All of the new TE capacity is available for 2011-12 and 2012-13. The TE targets are calculated as share formula proportions of the estimated statewide TE apportionments available for new programming. The estimated TE capacity is included in the calculation of the base, the target, and the maximum, so the TE targets do not represent additional capacity. They are provided for guidance only. As specified in the STIP guidelines, an RTIP may propose, and the Commission may program, either more or less than the TE target in a county for TE projects. An RTIP or ITIP may propose to program any amount in any fiscal year for TE, including changes in the programming of currently programmed projects or reserves. The Commission will change the proposed programming years for TE projects in the adopted STIP if, and only if, statewide TE proposals exceed statewide TE apportionments. Where that occurs, the Commission will give priority to projects carried forward from the prior STIP and may give priority to identified projects over TE reserves.

For the fund estimate and the 2008 STIP, all projects programmed in the 2006 STIP—including the 2006 STIP Augmentation—are treated as prior programming and do not count against new programming targets. Caltrans and regional agencies may propose changes in currently programmed projects, including changes in program year and changes in programmed cost. The Commission will not change the program year of any project component now programmed for 2007-08 or earlier, except for Caltrans environmental, design, or right-of-way work where Caltrans indicates that work has not yet begun or has been suspended and it is proposed to delete the work from the STIP or to delay the beginning of work until 2009-10 or later. Where work is suspended, the amount of expenditure to date will remain as programmed.

All debt service through 2011-12 on the GARVEE bonds issued in 2004 was treated as prior programming and deducted from county and interregional shares in the 2006 STIP. For the 2008 STIP fund estimate, the remaining GARVEE debt service ($73 million annually through 2014-15) was deducted in the calculation of shares and targets for the period that begins in 2012-13 and ends in 2015-16. Caltrans and regional agencies need not identify these amounts in the ITIP or the RTIPs.

The following displays the total and annual program capacities available for the 2008 STIP segregated by fund uses. PTA and TE funds are inflexible, with PTA funds limited to rail and transit projects, and TE fund limited to Transportation Enhancement activities. The Non-PTA funds, from the TIF and the TFA, are flexible funds that can be used for highway projects or rail and transit projects.

"Program capacity" does not represent cash. It represents the level of programming commitments that the Commission may make to projects for each year within the STIP period. The fund estimate methodology uses a "cash flow allocation basis," which schedules program capacity based upon cash flow requirements and reflects the method used to manage the allocation of capital projects. Funds are programmed to projects based on the forecast project expenditures over several years and the anticipated future revenues. The cash required for capital projects in a given year is used primarily to meet commitments made in prior years, and a commitment made this year may require the cash over the next several years. This methodology allows projects to be completed much sooner, however using this methodology makes the state's transportation program sensitive to significant changes in revenue as the state's ability to reduce expenditures in a given year is limited as the bulk of the cash spent on project construction in any given year is spent on projects allocated in the proceeding years, with little construction funds being spent in the year construction funding is allocated.

Key 2008 STIP Fund Estimate Assumptions

Proposition 42: With the exception of one-time capacity from Proposition 1B bonds, Proposition 42 revenue (General Fund transfers of gasoline sales tax revenues to the TIF) is the sole source of funding for highway projects in the STIP and a significant source of funding for rail and transit projects in the STIP. This reliance on Proposition 42 funding includes both project capital and capital outlay support. The 2008 STIP Fund Estimate assumes the annual receipt of Proposition 42 revenue; however, the transfer from the General Fund to the TIF has a history of delays or suspensions to fund shortfalls in the state budget. While Proposition 1A, passed in November 2006, limits the frequency of future Proposition 42 suspensions (twice in any 10-year period, but requires full repayment within three years and before any additional suspensions), there is a possibility that legislation may partially or completely suspend the transfer of these revenues over the FE period due to the on-going fiscal challenges in the state Budget. Because of the STIP cash flow commitments against future TIF revenue, a significant diversion of TIF funding could result in the fund becoming insolvent during the FE period.

PTA: The 2007-08 Budget and associated trailer bills (Chapters 171, 172, 173, and 313, Statutes of 2007), and Senate Bill 717 (Chapter 733, Statutes of 2007) permanently reduced PTA resources available for the STIP beginning in 2007-08. In 2007-08, $1.3 billion in PTA funding was diverted to the General Fund. This diversion resulted in a reduction of funding for the STIP of approximately $1 billion, and a reduction to the State Transit Assistance (STA) Program of approximately $260 million.

The 2007-08 Budget trailer bills also changed the on-going distribution of spillover revenue beginning in 2008-09. Spillover revenue is the transfer to the PTA of revenues from 4.75 percent of all taxable sales less revenue from 5.0 percent of all taxable sales except gasoline (Revenue and Taxation Code Section 7102). Beginning in 2008-09, spillover revenue will be distributed as follows:

- Fifty percent of the spillover revenue will be transferred to the newly created Mass Transportation Fund. This revenue will be used to fund items previously funded from the General Fund, including:
  - Debt service on general obligation bonds issued for transportation purposes.
  - The Department of Developmental Services' Regional Center Transportation program.
  - The Department of Education's home-to-school transportation program.
- Fifty percent of the spillover revenue will be transferred to the PTA to be used as follows:
  - Two-thirds apportioned to the STA program.
  - One-third remaining in the PTA and available for the STIP.

The total impact of these changes to the spillover distribution is a reduction of over $300 million annually to the resources available for the STIP.

In addition to the aforementioned spillover diversions, the 2008 Fund Estimate reflects spillover revenue estimates based upon Department of Finance forecasts. These forecasts project revenues to remain at record levels over the fund estimate period. If actual spillover revenues are less than forecast, the PTA may be unable to fund programmed STIP projects.

The October 2007 enactment of Senate Bill 717 also diverts future PTA revenues from the STIP. This law reduces the amount of Proposition 42 revenue retained in the PTA for the STIP beginning in 2008-09. Prior to SB 717, the PTA received 20 percent of the revenue deposited in the TIF and transferred 50 percent of those funds to the STA. Starting in 2008-09, 75 percent of PTA funding from the TIF will now be transferred to the STA per SB 717. This decreases PTA revenues

2008 STIP Fund Estimate
Reconciliation to County and Interregional Shares
($ in millions)

Public Transportation Account (PTA)	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	5-Year Total	6-Year Total
2008 FE PTA Target Capacity	$409	$0	$225	$225	$250	$250	$950	$1,359
2008 FE PTA AB 3090s	$66	$50	$0	$0	$0	$0	$50	$116
Total 2008 STIP FE PTA Target Capacity	$475	$50	$225	$225	$250	$250	$1,000	$1,475
Augmented 2006 STIP Program [1]	$640	$371	$290	$217	$0	$0	$879	$1,519
Extensions	$9	$0	$0	$0	$0	$0	$0	$9
Advances	($39)	$0	$0	$0	$0	$0	$0	($39)
Net PTA STIP Program	$610	$371	$290	$217	$0	$0	$879	$1,489
PTA Capacity for County Shares	($134)	($321)	($65)	$8	$250	$250	$121	($14)
Cumulative	($134)	($456)	($521)	($514)	($264)	($14)		

Non-PTA (SHA, TIF, TFA)	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	5-Year Total	6-Year Total
2008 FE Non-PTA Target Capacity	$1,493	$1,843	$630	$631	$650	$700	$4,454	$5,947
2008 FE Non-PTA AB 3090s	$10	$42	$22	$64	$0	$0	$127	$138
2008 FE Non-PTA GARVEE Debt Service	$73	$73	$73	$73	$73	$73	$365	$437
TE State Match (Estimated program totals)	($7)	($7)	($7)	($7)	($7)	($8)	($37)	($43)
Total 2008 STIP FE Non-PTA Capacity [2]	$1,569	$1,951	$718	$760	$716	$765	$4,909	$6,479
Augmented 2006 STIP Program [1]	$1,809	$2,063	$1,089	$626	$0	$0	$3,778	$5,587
Changes to August 2007 Orange Book [3]	($2)	($4)	($9)	$13	$0	$0	$0	($2)
Extensions	$9	$0	$0	$0	$0	$0	$0	$9
Advances	($222)	$0	$0	$0	$0	$0	$0	($222)
GARVEE Adjustment	$0	$0	$0	($73)	$73	$73	$73	$73
Net Non-PTA STIP Program	$1,594	$2,059	$1,080	$566	$73	$73	$3,851	$5,445
Non-PTA Capacity for County Shares	($24)	($108)	($362)	$194	$643	$692	$1,058	$1,034
Cumulative	($24)	($133)	($495)	($301)	$341	$1,034		

available to the STIP by approximately $85 million annually.

Lastly, the PTA portion of the fund estimate includes expenditures of $129 million annually for the Department of Developmental Services' Regional Center Transportation program. This is a new diversion of PTA resources away from the STIP. For comparison, it is worth noting that the PTA funding for this program is nearly 30 percent greater than the PTA funding for intercity rail operations.

Federal Highway Trust Fund: Federal Highway Funding – The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) expires September 30, 2009, making future federal funding uncertain. The 2008 Fund Estimate assumes the federal highway funding available to California grows at 1.8 percent annually. This is consistent with the projected growth in fuel consumption, however current highway funding levels and U.S. Treasury revenue projections estimate that the Federal Highway

Transportation Enhancements (TE)	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	5-Year Total	6-Year Total
2008 STIP FE TE Capacity (Federal)	$62	$63	$65	$66	$67	$68	$329	$391
TE State Match (Estimated program totals)	$7	$7	$7	$7	$7	$8	$37	$43
Total 2008 STIP FE TE Capacity	$69	$70	$72	$73	$74	$76	$366	$434
Augmented 2006 STIP Program [1]	$65	$84	$71	$63	$0	$0	$218	$283
Extensions	$8	$0	$0	$0	$0	$0	$0	$8
Advances	($1)	$0	$0	$0	$0	$0	$0	($1)
Net TE	$72	$84	$71	$63	$0	$0	$218	$290
TE Capacity for County Shares	($3)	($14)	$1	$10	$74	$76	$147	$144
Cumulative	($3)	($17)	($16)	($6)	$68	$144		
Total Capacity	**($162)**	**($444)**	**($426)**	**$211**	**$967**	**$1,018**	**$1,326**	**$1,164**

Notes:

General note: Numbers may not add due to rounding.

1 Augmented 2006 STIP from August 2007 "Orange Book"

2 Includes TFA capacity of $727 million in 2007-08 and remaining TFA capacity of $1.233 billion in 2008-09.

3 Adjustments to August 2007 "Orange Book" for September 2007 votes.

Trust Fund may not be able to support funding at SAFETEA-LU levels as early as 2009. If these revenue estimates are correct and no change is made to Federal law, actual federal highway funding available to California could decline.

Transportation Facilities Account: The 2006 STIP Fund Estimate Augmentation assumed the entire $2 billion in capacity from the TFA would be available in 2007-08. The enacted 2007-08 Budget, however, limited appropriations in 2007-08 to $727 million (including support). The 2008 Fund Estimate assumes that the remaining $1.233 billion will be available in 2008-09.

2007-08 STIP Allocation Plan

Based upon the revenue and expenditures identified in the 2008 STIP Fund Estimate, Caltrans has lowered its estimate of 2007-08 STIP allocation capacity. It now appears that there will be insufficient revenue to allocate to all STIP projects programmed in 2007-08. While the scope of the problem is still being determined, it appears that the Commission may be unable to allocate about $250 million of the planned 2007-08 STIP allocations of over $1.8 billion. The Commission is currently working with Caltrans and regional agencies to develop options to ration 2007-08 allocations, and, if necessary, adopt an allocation plan.

One issue in developing an allocation plan is whether to treat transit allocations differently from highway allocations, or to take a mode neutral approach. For the last several years, transit projects have been programmed and allocated using primarily PTA funds. This strategy was employed in an effort to fully commit PTA resources as these funds are less flexible than other STIP funds (PTA STIP resources can only be used for transit projects while TIF resources can be used for transit or highway projects). However, there is no basis in statute for limiting TIF allocations to highway projects only.

Because allocation capacity in 2007-08 is based on both current and future revenues, the 2008-09 Budget may significantly impact 2007-08 allocation capacity. The state's projected 2008-09 operating deficit could impact STIP allocations through loans, revenue suspensions, or lower revenues. To help ensure that there is sufficient cash available in 2008-09 for projects allocated this year, any allocation plan actions undertaken by the Commission this year will be reevaluated in light of decisions made in the 2008-09 budget process.

2008 STIP Fund Estimate, Summary of Targets and Shares

	2008 STIP Programming ($1,000s)			
	Base (Minimum)	TE Target	Target	Maximum
County	Shares Through 2011-12	Target through 2012-13	Target through 2012-13	Estimated Share through 2015-16
Alameda	0	3,921	30,764	117,964
Alpine - Amador - Calaveras	0	663	5,944	20,675
Butte	0	750	5,231	21,925
Colusa	1,927	197	4,545	8,930
Contra Costa	0	2,541	21,722	78,218
Del Norte	1,523	190	4,136	8,360
El Dorado LTC	0	480	762	11,431
Fresno	13,839	2,717	44,772	105,207
Glenn	2,395	210	4,866	9,549
Humboldt	0	759	11,863	28,742
Imperial	14,738	1,270	28,945	57,180
Inyo	1,938	1,029	13,929	36,794
Kern	0	3,560	59,359	138,518
Kings	6,460	531	13,566	25,378
Lake	4,701	326	8,358	15,626
Lassen	1,367	481	7,160	17,861
Los Angeles	0	24,005	57,382	591,238
Madera	339	481	5,937	16,640
Marin	0	743	0	0
Mariposa	1,575	196	5,743	10,102
Mendocino	149	714	8,146	24,038
Merced	1,263	864	10,940	30,173
Modoc	1,813	256	4,672	10,354
Mono	6,093	762	14,619	31,564
Monterey	0	1,391	7,574	38,503
Napa	0	460	1,465	11,709
Nevada	703	406	5,248	14,280
Orange	0	7,240	41,139	202,164
Placer TPA	0	763	0	0
Plumas	7,527	290	10,792	17,251
Riverside	0	5,188	0	109,429
Sacramento	0	3,367	29,797	104,686
San Benito	0	252	379	5,980
San Bernardino	5,587	6,741	86,239	236,160

2008 STIP Fund Estimate, Summary of Targets and Shares

	2008 STIP Programming ($1,000s)			
	Base (Minimum)	TE Target	Target	Maximum
	Shares Through 2011-12	Target through 2012-13	Target through 2012-13	Estimated Share through 2015-16
San Diego	0	7,935	0	164,863
San Francisco	37,481	2,006	59,929	104,541
San Joaquin	1,127	1,762	24,871	64,070
San Luis Obispo	7,895	1,417	23,848	55,351
San Mateo	3,578	2,082	26,874	73,173
Santa Barbara	1,500	1,612	20,031	55,878
Santa Clara	0	4,593	0	93,015
Santa Cruz	0	800	5,473	23,269
Shasta	0	822	9,031	27,301
Sierra	0	136	992	4,022
Siskiyou	72	567	6,423	19,042
Solano	0	1,203	10,600	37,338
Sonoma	0	1,465	0	19,271
Stanislaus	5,559	1,366	21,494	51,867
Sutter	0	309	1,759	8,617
Tahoe RPA	2,903	201	6,437	10,918
Tehama	2,030	413	7,695	16,889
Trinity	2,426	295	5,726	12,285
Tulare	3,151	1,671	21,904	59,055
Tuolumne	0	334	2,628	10,053
Ventura	3,341	2,372	30,353	83,105
Yolo	0	659	3,742	18,394
Yuba	0	236	1,952	7,200
Statewide Regional	**145,000**	**108,000**	**847,756**	**3,176,146**
Interregional	0	36,000	316,244	1,116,854
TOTAL	**145,000**	**144,000**	**1,164,000**	**4,293,000**

	New Capacity
Statewide Flexible Capacity (Prop 42, Prop 1B)	1,034,000
Statewide PTA Capacity	(14,000)
Statewide Transportation Enhancement (TE) Capacity	144,000
Total STIP Capacity Available	1,164,000

Proposition 1B Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006

Proposition 1B, enacted by a vote of the people of California on November 7, 2006, authorized the issuance of $19.925 billion in State general obligation bonds for specific transportation programs such as the Corridor Mobility Improvement Account (CMIA), State Route 99 (SR 99), Trade Corridors Improvement Fund (TCIF), State and Local Partnership Program, State and Local Transit Program, Local Bridge Seismic Program, Grade Separation Program, and the augmentation of the existing State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Program (SHOPP). Consistent with the requirements of Proposition 1B, the California Transportation Commission (Commission) programs and allocates bond funds in each of the above-mentioned programs.

In clarifying legislation to Proposition 1B, on August 24, 2007, the Governor signed into law Senate Bill 88 (Chapter 181, Statutes of 2007) which designates the Commission as an administrative agency for the CMIA, SR 99, TCIF, STIP, State and Local Partnership Program Account; Local Bridge Seismic Retrofit Account; Highway-Railroad Crossing Safety Account; and SHOPP funded by Proposition 1B. SB 88 imposes various requirements for the Commission relative to adopting program guidelines, making allocations of bond funds, and reporting on projects funded by the bond funds.

In addition, Executive Order S-02-07, issued by Governor Arnold Schwarzenegger on January 24, 2007, significantly increases the Commission's delivery monitoring responsibility for the bond funded projects. Specifically, the Commission is required to develop and implement an accountability structure, with primary focus on the delivery of bond funded projects within their approved scope, cost and schedule.

The Commission has developed an accountability plan to communicate the Commission's expectations and its intent to exercise programmatic oversight for the delivery of bond funded projects with regards to scope, cost, schedule and benefits, consistent with established program objectives and parameters. As an element of this plan, a Project Delivery Council has been established to assist Commission staff in the development of project delivery performance measures and in monitoring project progress. The Council will also assist Commission staff in evaluating corrective actions and strategies provided by implementing agencies, and in reviewing resulting amendments to project scope, cost, schedule or benefits.

Corridor Mobility Improvement Account Program

Proposition 1B authorized $4.5 billion in general obligation bond proceeds to be deposited in the newly created CMIA. Funds in the CMIA are available for performance improvements on the state highway system, or major access routes to the state highway system on the local road system, that relieve congestion by expanding capacity, enhance operations, or otherwise improve travel times within these high-congestion travel corridors. Under the Bond Act, bond proceeds shall be available, upon appropriation by the Legislature, for allocation by the Commission for projects included in the CMIA program.

In order to meet the statutory deadlines for the CMIA the Commission had to jumpstart the guideline development process ahead of the 2006 election. The Commission reached out to many in the transportation community to assist in the development of the CMIA guidelines. Through the hard work of many in the community, the Commission was able to consider draft guidelines at its October 2006 meeting and to adopt the CMIA guidelines on November 8, 2006 a day after the voters approved Proposition 1B.

The Department of Transportation (Caltrans) and Regional Transportation Planning Agencies (RTPA) nominated CMIA projects to the Commission by January 16, 2007. In the period prior to the nomination date, Commission staff impressed upon the transportation community the need to take advantage of the unique opportunity that the voters have provided by emphasizing early and efficient delivery of CMIA projects and by focusing on achieving corridor-level congestion relief and connectivity benefits.

The Commission adopted the initial CMIA program valued at $4.40 billion on February 28, 2007. The program development process allowed for public input and took into consideration statewide, regional and local priorities and needs.

Program	Available	Committed	Appropriated (FY 07/08)	Allocated (FY 07/08)
	(dollars in thousands)			
Corridor Mobility Improvement Account (CMIA)	$4,500,000	$4,489,707	$608,000	$124,638
Route 99 Corridor Account (SR 99)	$1,000,000	$1,000,000	$14,000	$7,384
Trade Corridors Improvement Fund	$2,000,000	$0	$0	$0
State Transportation Improvement Program (STIP) Augmentation	$2,000,000	$2,000,000	$727,000	$476,595
State Highway Operations and Protection Program (SHOPP)	$500,000	$500,000	$280,000	$4,579
Traffic Light Synchronization	$250,000	$0	$123,000	$0
Local Bridge Seismic Retrofit Account	$125,000	$125,000	$14,000	*$13,500*
Highway-Railroad Crossing Safety Account	$250,000	$0	$123,000	$0
State-Local Partnership Program Account	$1,000,000	$0	$0	$0
	$11,625,000	**$8,114,707**	**$1,889,000**	**$626,696**

In its program adoption actions, the Commission requested the development of project baseline agreements that would consequently be signed by the RTPA's Executive Director, the Caltrans' Director, and the Commission's Executive Director. The baseline agreements set forth the agreed upon project scope, schedule, cost and expected benefits. These agreements also include the estimated cost of and the start and completion dates for the environmental, right-of-way, design, and construction phases of the project. These baseline agreements were adopted by the Commission on June 7, 2007.

Specific project information for the CMIA projects, including total project cost, CMIA contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

State Route 99 Account

Proposition 1B authorized $1.0 billion in general obligation bond proceeds to be deposited in a newly created SR 99 Account. Funds in the SR 99 Account may be used for safety, operational enhancements, rehabilitation, or capacity improvements necessary to improve the SR 99 Corridor, traversing approximately 400 miles of the central valley of the state. Under the Bond Act, bond proceeds shall be available, upon appropriation by the Legislature, for allocation by the Commission for projects included in the SR 99 program. Since the Bond Act did not include a timeline for the implementation of this program, the Commission, in partnership with the Caltrans, agreed to mirror the implementation process of the CMIA program.

The Commission, working with Caltrans and the eleven councils of government along SR 99, adopted guidelines for the SR 99 program at its December 2006 meeting. SR 99 project submittals were received at the Commission by January 16, 2007 and the program was adopted on March 16, 2007. The RTPAs and Caltrans agreed that 85 percent, or $850 million, of the $1 billion available would be targeted for priority improvements in the San Joaquin Valley portion of the corridor, and 15 percent, or $150 million, would be dedicated to improvements in the Sacramento Valley. In both sections of the corridor, priority projects will be consistent with *The State Route 99 Business Plan Element of the Master Plan and The Route 70/99 Corridor Business Plan.*

Similar to the CMIA, the Commission requested the development of project baseline agreements that would consequently be signed by the RTPA's Executive Director, the Caltrans' Director, and the Commission's Executive Director. The baseline agreements set forth the agreed upon project scope, schedule, cost and expected benefits. These agreements also include the estimated cost of and the start and completion dates for the environmental, right-of-way, design, and construction phases of the project. These baseline agreements were adopted by the Commission on June 7, 2007.

Specific project information for the SR 99 projects, including total project cost, SR 99 contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov.

The Commission has made the following project allocations through September 2007, since the adoption of the baseline agreements:

Project Title	County	State Route	CMIA Allocations (x1000)
Managed Lanes (No/So Stages) South Segment	San Diego	15	$90,000
Managed Lanes (No/So Stages) South Segment	San Diego	5	$24,500
WB 580/NB 101 Connector	Marin	101	$4,200
White Rock Rd Widening, Grant Line to Prairie City	Sacramento		$1,500
Angels Camp Bypass	Calaveras	4	$4,438
		Total	**$124,638**

Trade Corridor Improvement Fund

Proposition 1B authorized $2 billion of state general obligation bonds for the TCIF. Funds in the TCIF shall be available to the Commission, upon appropriation by the Legislature, for allocation for infrastructure improvements along federally designated "Trade Corridors of National Significance" in the state or along other corridors within the state that have a high volume of freight movement. Proposition 1B provides for highway capacity and operational improvements to more efficiently accommodate the movement of freight; for improvements in the freight rail system's ability to move goods from seaports, land ports of entry and airports to warehousing and distribution centers throughout California; truck corridor improvements, including dedicated truck facilities or truck toll facilities; border access improvements to enhance goods movement between California and Mexico; surface transportation improvements to facilitate the movement of goods to and from the state's airports. Proposition 1B requires that the Commission allocate funds for trade infrastructure improvements in a manner that places an emphasis on projects that improve trade corridor mobility while reducing emission of diesel particulate and other pollutant emissions.

Given the mandates of Proposition 1B, the Commission held a number of listening sessions throughout the state in the fall of 2006 to seek input from the transportation, logistics and environmental stakeholders on how to implement the TCIF. These listening sessions allowed stakeholders to brief Commissioners on the key goods movement issues within their region and to comment on the key elements of implementing the TCIF, including which corridors should be considered of statewide importance; the criteria for making seaport, airport and rail investments; the relative weighting of velocity, throughput, reliability, congestion relief and emission reduction; and the timeframe in which investments should be made.

Subsequent to the passage of Proposition 1B and in response to stakeholder input, the Commission established a TCIF Work Group and held a series of Work Group Meetings in the spring of 2007. The Work Group included transportation, logistics and environmental stakeholders, as well as representatives from the Business, Transportation and Housing Agency, Caltrans, the California Environmental Protection Agency, CALMITSAC and Legislative staff. The purpose of the TCIF Work Group was to develop a policy framework for the implementation of the TCIF and for long term strategies for goods movement investments in California. The Work Group focused on several key policy areas involved in implementing the TCIF, including:

- The appropriate programming framework for the TCIF, ensuring that TCIF funds are programmed in a manner that addresses the State's most urgent needs, provides reasonable geographic balance between the state's regions, and places emphasis on projects that improve trade corridor mobility while reducing emissions of diesel particulate and other pollutant emissions.
- The role and types of funding match for the TCIF dollars.
- The appropriate roles for the public and private sectors in developing, funding and implementing TCIF projects and strategies.

Based on the input from the Work Group, Commission staff developed guidelines for the TCIF and these guidelines were adopted by the Commission at a special meeting on November 27, 2007. Under these guidelines, project nominations will be submitted to the Commission in January 2008, with program adoption scheduled for April 2008.

State Transportation Improvement Program Augmentation

Proposition 1B authorized $2 billion to augment STIP funds from other sources. Under the Bond Act, the bond proceeds are deposited in the newly created Transportation Facilities Account (TFA) and shall be available, upon appropriation by the Legislature, in the same manner as other STIP funds.

The Commission responded to the $2 billion Proposition 1B STIP augmentation by inaugurating a special STIP cycle to augment the 2006 STIP in advance of the development of the 2008 STIP. As stated in the earlier chapter, when the Commission adopted the 2006 STIP in April 2006, funding constraints meant that many projects proposed by Caltrans and regional agencies were either not programmed or were programmed for years later than the years in which they could be delivered. The Commission's primary intent for having a 2006 STIP augmentation was to advance the programming for STIP projects that Caltrans and local agencies could deliver prior to the adoption of the 2008 STIP. The Commission also intended to provide an early opportunity to program new STIP projects with the added capacity made available through Proposition 1B. The Commission adopted the 2006 STIP Augmentation on June 7, 2007.

With the funding augmentation from Proposition 1B, every county and the interregional share was credited with its STIP formula share of the $2 billion (or, to be more precise, its share of the $1.96 billion remaining after deducting bond expenses). However, the actual application of bond proceeds to specific STIP projects will not equate to that formula distribution. That is because Proposition 1B provided the $2 billion to augment the ongoing STIP program—it did not establish the $2 billion as a separate program. The STIP receives funding from multiple funding sources, so a county share may receive more funding from one STIP source and correspondingly less from another. The project funding amount added to the STIP for each county and the interregional program can vary from one STIP to the next because the share formulas apply to the discrete four-year share periods that do not end with any particular STIP cycle. This allows flexibility in programming while assuring that each share receives its entitlement over time. Any surplus or deficit from one period carries forward to the next.

It is also important to draw a distinction between the $2 billion in bond proceeds and the $2 billion in STIP highway projects added in the 2006 STIP Augmentation. The $2 billion in bond proceeds will not simply fund the projects and project components that the Commission added in the special STIP augmentation cycle. The Commission expects that a large proportion of the $2 billion in bond proceeds will fund projects that were already in the 2006 STIP—projects that Proposition 1B allows the Commission to advance and fund earlier than would otherwise have been possible. That in turn will free up regular Proposition 42 STIP dollars to fund some of the project costs that the Commission added in this cycle.

The fund estimate for the 2006 STIP Augmentation identified not only the $2 billion from Proposition 1B, but also $630 million in available PTA funding. Because of the assumed availability of PTA funding, the adopted STIP Augmentation included $2 billion in added highway project funding and $570 million in added transit project funding. The major new highway project funding made possible by Proposition 1B included:

- North State

  Mendocino Route 101, Willits Bypass, 2 lanes, $60.0 million.

  Shasta Route 44, Dana-Downtown Redding, $27.4 million.

  Humboldt Route 101/36 interchange, $24.2 million.

- Sacramento Valley

  Sutter/Yuba Route 70, 4-lane expressway, Route 99-Bear River, $40.6 million.

  El Dorado Route 50, Missouri Flat interchange, phase 1B, $22.0 million.

  Butte Route 99 widening, Chico, $16.0 million.

- San Francisco Bay Area

  Route 101 Marin-Sonoma Narrows, $56.3 million.

  Route 12 Jamieson Canyon, Napa-Solano, $45.6 million.

  Route 24 Caldecott Tunnel 4th bore, Alameda-Contra Costa, $29.0 million.

  Route 4 widening, Loveridge-Route 160, Contra Costa, $27.0 million.

- San Joaquin Valley

  Tulare County, Road 80 expressway, $58.1 million.

  Bakersfield, Westside Parkway, $45.2 million.

  Kern Route 46 widening, $41.9 million.

  Stanislaus Route 219 expressway, $31.7 million.

  Tuolumne Route 108 East Sonora Bypass, Stage 2, $27.1 million.

  Merced Route 140, widen Bradley overpass, $22.0 million.

  Kings/Tulare Route 198 expressway, $18.9 million.

  San Joaquin Route 12, Bouldin Island passing lanes, $15.0 million.

- Central Coast

  Santa Barbara Route 101 improvements, Carpenteria Creek to Linden, $29.2 million.

  Ventura/Santa Barbara Route 101 HOV lanes, Mussel Shoals to Casitas Pass Road, $19.9 million.

- Los Angeles

  Route 5 HOV lanes, Route 134 to Route 170, $116.3 million.

  Route 10 HOP lanes, Route 605 to Route 57, $104.5 million.

- Orange County

  Route 91 widening, Route 55 to Gypsum Canyon Road, $74.0 million.

  Route 5/74 interchange improvements, $52.5 million.

- San Bernardino County

  Route 15 northbound lane, Victorville-Barstow, $60.2 million.

  Route 215 HOV lanes, Route 10 to Route 30, $50.4 million.

  Route 210 freeway, Los Angeles County-Route 215, $25.0 million.

- Riverside County

  Route 215 widening, Route 15 to Scott Road, $46.6 million.

  Route 15 French Valley Parkway interchange, $31.5 million.

  Route 15 California Oaks/Kalmia interchange, $16.6 million.

- San Diego

  Route 15 managed lanes, south segment, $50.0 million.

Perhaps just as important, the STIP Augmentation allowed the advancement of about $940 million in projects that were already programmed in the original 2006 STIP, including the advancement of $561 million into 2007-08. Among the major projects that the new Proposition 1B capacity allowed to be funded sooner than otherwise would have been possible are:

- North State

  Route 101 Willits Bypass, $169.4 million, 2009-10.

  Shasta Route 44, Dana to Downtown Redding, $71.7 million, 2007-08.

- Sacramento Valley

  Placer Route 65 Lincoln Bypass, $123.7 million, 2008-09.

  Sutter Route 99 4-lane expressway, Central to O'Banion, $47.7 million, 2007 08.

  Yolo Route 50, Harbor Blvd interchange, $28.5 million, 2007-08.

- San Francisco Bay Area

  Sonoma Route 101 HOV lanes, Petaluma to Rohnert Park, $43.5 million, 2008-09.

- San Joaquin Valley

  Bakersfield, Westside Parkway (advanced portion), $75.5 million, 2008-09.

  Fresno Route 180 freeway, Clovis to Temperance, $60.6 million, 2007-08.

- Eastern Sierra

  Inyo Route 395, Manzanar 4-lane widening, $32.6 million, 2007-08.

  Inyo Route 395 Independence 4-lane widening, $20.1 million, 2007-08.

- Orange County

  Route 5 Camino Capistrano interchange, $15.5 million, 2009-10.

- San Diego

  Route 52 freeway, from Route 125 to Route 67, $181.4 million, 2007-08.

- Imperial

  Route 78 Brawley Bypass, Stage 2, $85 million, 2007-08.

State Highway Operations and Protection Program Augmentation

Proposition 1B authorized $750 million for the Highway Safety, Rehabilitation and Preservation Account (HSRPA). Funds in the HSRPA account are split $250 million for the Traffic Light Synchronization Program (TLSP) and $500 million to augment the SHOPP, the subject of this section.

The $500 million SHOPP augmentation funds in the HSRPA account, upon appropriation by the Legislature and allocation by the Commission, are available to Caltrans for State Highway System (SHS) pavement rehabilitation, traffic detection and ramp metering projects. At the June 2007 Commission meeting, Caltrans proposed to use $400 million in HSRPA account funds to finance SHS roadway rehabilitation projects in support of its pavement asset management strategy. Caltrans also proposed to use $100 million to finance Information Technology and Traffic Management System (IT/TMS) projects with $60 million for ramp metering improvement projects and $40 million for traffic detection projects on the SHS. The entire $500 million is not available for projects as a $10 million set-aside needs to be deducted to cover bond administrative costs per the Department of Finance.

After deducting the $10 million bond administration set-aside, Caltrans programmed into the SHOPP six pavement rehabilitation projects estimated to cost $376.3 million, four ramp metering projects at a cost of $58.3 million, five traffic detection projects at $38.8 million and one auxiliary lane project at $9.1 million for a total of $482.5 million, leaving an un-programmed balance of $7.5 million. The un-programmed balance can be used to program additional projects in the future or can be used to cover cost increases on the programmed projects as they are brought forward for Commission allocation once the design is completed and accurate costs are developed.

Specific project information for the SHOPP Augmentation projects as programmed by Caltrans, including the available unprogrammed balance, can be found at http://www.bondaccountability.ca.gov.

Traffic Light Synchronization Program

Proposition 1B provides $250 million for traffic light synchronization projects and other technology-based improvements to improve safety, operations and the effective capacity of local streets and roads. Priority will be given to projects that result in an effective and sustainable integrated local or regional transportation system, especially systems that are coordinated with other transportation facilities through a corridor system management plan or other documented coordinated management strategies for the local streets and road system. Projects will be evaluated on the basis of regional mobility and safety benefits, especially in highly congested corridors, in terms of congestion reduction benefits or time savings and estimated reduction in deaths and injuries.

The Commission will hold a number of listening sessions throughout the state in the spring of 2008 to seek input on how to implement the TLSP. These sessions will also allow stakeholders to brief Commissioners on the issues within their region and to comment on the key elements of implementing the TLSP, including which projects should be considered of importance for the local or regional transportation system; the relative weighting of criteria for investments; and the timeframe in which investments should be made.

Caltrans has formed a committee to conduct a review and objective evaluation of project applications, with representatives from the Federal Highway Administration, Caltrans, and the Commission.

Based on the input from Caltrans, Commission staff developed draft guidelines for the TLSP and the guidelines were presented to the Commission at their December 2007 meeting. Under these guidelines, project nominations will be submitted to the Commission in January 2008, with program adoption scheduled for March 2008.

Local Bridge Seismic Retrofit Account

With the passage of Proposition 1B $125 million was made available for the Local Bridge Seismic Retrofit Account (LBSRA). Funds in the LBSRA account are to provide the 11.5 percent required local match for seismic retrofit work on local bridges, ramps and overpasses.

Consistent with the 2007 Budget Act, the Commission at its July 2007 meeting, allocated $13.5 million to Caltrans for use as required local match for seismic retrofit work on local bridges programmed for delivery in federal fiscal year 2007-08. The Commission authorized Caltrans to sub-allocate the $13.5 million to local seismic retrofit projects on a first come, first serve basis, including projects outside the 2007-08 program year; until the allocation is exhausted. If projects are delivered in excess of the $13.5 million allocation, Caltrans will seek additional budget authority from the legislature and will request an allocation adjustment from the Commission.

The Commission allocation enabled Caltrans to enter into agreements with local agencies ready to deliver local seismic retrofit projects. Caltrans is to provide the Commission with quarterly status reports on the use of the allocation.

The LBSRA was initially mandated by emergency legislation SB 36X (1989) after the October 17, 1989 Loma Prieta earthquake. Funds for the LBSRA come from federal, state and local sources. The federal Highway Bridge Program (HPB), administered by Caltrans, covers up to 88.5 percent of the cost to seismically retrofit a local bridge. The other 11.5 percent, referred to as the required local match, needs to come from state or local sources. Up until 2002, state transportation funds dedicated for LBSRA local match use through the annual state budget process were available to local agencies. Since 2002, local agencies have to compete in the biennial STIP programming process for the match funds or secure the match funds from other local funds under their control.

Local agencies cite the lack of dedicated match funds as the main reason for the slow pace of project delivery in the LBSRA program. In total 1,235 local bridges need seismic retrofit. Caltrans reports that as of March 1, 2007, local agencies completed work on 756 bridges leaving 479 to be retrofitted.

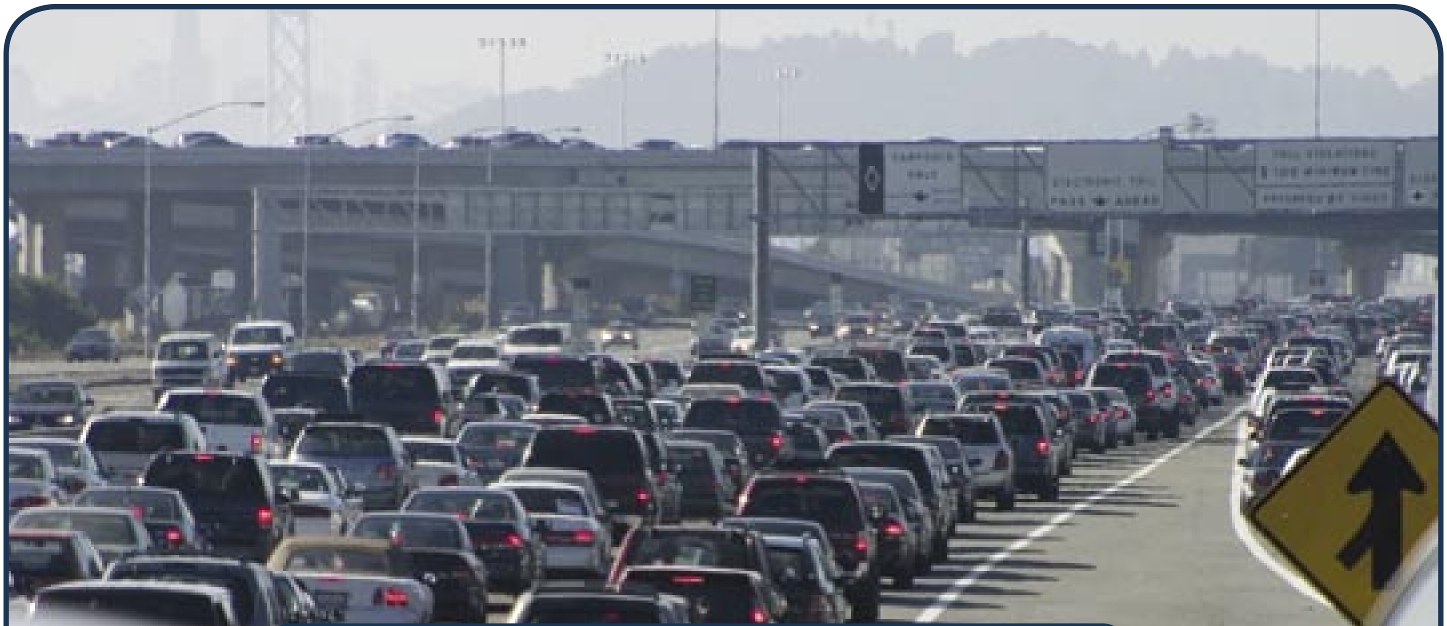
The $125 million LBSRA account created by Proposition 1B will now provide the dedicated required local match fund source for the Caltrans identified 479 local bridges still in need of seismic retrofit. At the time Proposition 1B was passed, Caltrans estimated the $125 million match requirement based on cost information provided by local agencies. Cost refinements as the 479 bridges move from pre-strategy to detailed engineering analysis and design over the next few years may render the $125 million inadequate to provide the match for all requests.

Highway-Railroad Crossing Safety Account

Proposition 1B provides $250 million to be deposited into the Highway-Railroad Crossing Safety Account (HRCSA) for the completion of high-priority grade separation and railroad crossing safety improvements projects. The funds will be available to the Commission, upon appropriation by the Legislature, and require a dollar for dollar match of non-state funds. Statute requires that the Commission work in consultation with the Public Utilities Commission, Caltrans and the High Speed Rail Authority in the development of guidelines. The Commission will adopt the guidelines by the statutory deadline of February 15, 2008, with project selection to occur in the spring, and make the first allocation as early as May or June 2008.

State-Local Partnership Program Account

Proposition 1B includes $1 billion to be deposited into the newly created State-Local Partnership Program Account. The funds will be available to the Commission, upon appropriation by the Legislature and subject to such conditions and criteria as the Legislature may provide by statute, for allocation over a five-year period to eligible transportation projects nominated by an applicant transportation agency. A dollar for dollar match of local funds is required for an applicant transportation agency to receive state funds under this program. The Commission awaits direction from the Legislative for the implementation of this program.



Traffic Congestion Relief Program

In fiscal year (FY) 2007-08, $684 million was made available for allocation to Traffic Congestion Relief Program (TCRP) projects. The California Transportation Commission (Commission) has allocated $671 million of the $684 million to TCRP projects through December 2007.

The October 2007 TCRP Biannual Progress Report projected allocation needs for the second half of FY 2007-08 at $576 million, including $41 million for previously approved Letters of No Prejudice (LONPs). With $13 million remaining for the second half of FY 2007-08, the funding shortfall for the reminder of FY 2007-08 is estimated at $563 million.

Background

The Traffic Congestion Relief Act of 2000 (AB 2928 and SB 1662) created the TCRP; the Traffic Congestion Relief Fund (TCRF); and committed $4.909 billion to 141 specific projects designated in law. The TCRF was scheduled to receive revenues for the TCRP from:

- $1.595 billion in 2000-01 from a General Fund transfer and directly from gasoline sales tax revenues.
- $3.314 billion in transfers from the Transportation Investment Fund (TIF) over five years, the transfers were to be $678 million per year for the first four years and the balance of $602 million in the fifth year.

AB 438 (Chapter 113, Statutes of 2001) delayed the five-year schedule for the TIF transfers by two years, from the original 2001-02 through 2005-06, and changed it to 2003-04 through 2007-08. AB 438 also authorized a series of loans to the General Fund, including a $482 million loan from the TCRF.

In FY 2004-05, the Governor negotiated tribal gaming compacts to repay these loans through bonds but legal challenges have prevented the bonds from being issued. Thus, tribal gaming revenues are being used to make annual payments towards the remaining loan balances. The current projection is that FY 2009-10 is the earliest these funds will be available to repay the $482 million TCRF loan balance.

Proposition 42 (2002) transfers were partially suspended in 2003-04 ($389 million) and fully suspended in 2004-05 ($678 million), with just enough transferred to reimburse prior TCRP allocations. A total of $1.067 billion of TCRF was suspended and loaned to the General Fund. After a $323 million repayment in FY 2006-07 the loan balance stood at $744 million.

Proposition 1A, passed in November 2006, addressed the suspensions occurring on or before July 1, 2007 under Proposition 42 and requires that any revenues that are not transferred from the General Fund to the TIF as of July 1, 2007, shall be transferred from the General Fund to the TIF no later than June 30, 2016 and, until this total amount has been transferred, the amount of the transfer payments to be made in each fiscal year shall not be less than one-tenth of the total amount remaining to be transferred.

After the initial $83 million Proposition 1A payment in FY 2007-08, the outstanding loan balance is $662 million to be repaid at approximately $83 million per year through FY 2015-16.

Program Status

The Commission has approved $4.488 billion in applications through December 2007, including at least one application for each of the 141 designated projects. Application approval is equivalent to project programming, and it defines the scope, cost, and schedule of a project or project phase, and it generally includes expenditures projected for future years. The Commission has approved $3.677 billion in allocations through December 2007. The Department of Transportation (Caltrans) reports that the total expended through October 2007 is $2.505 billion. Another $807 million has been expended and invoiced since last year when Caltrans reported to the Commission that $1.698 billion had been expended through October 2006.

Information for each project, including authorized TCRP funding, amount approved and allocated, and expenditures as of October 2007, can be found at http://www.catc.ca.gov/programs/tcrp/tcrpstatus.pdf .

2007-08 Allocations

As of December 2007, the Commission has allocated $671 million of the $684 million available in FY 2007-08 for TCRP purposes including $121 million for projects ready for construction; $276 million for pre-construction project activities; and $274 million for previously approved LONPs. As a result, $13 million currently remains available for the second half of FY 2007-08.

The October 2007 TCRP Biannual Progress Report projected allocation needs for the second half of FY 2007-08 at $576 million including $264 million for projects ready for construction; $271 million for pre-construction project activities; and $41 million for previously approved LONPs.

The funding shortfall for the reminder of FY 2007-08 is estimated at $563 million, and with only $82 million expected in FY 2008-09, the shortfall will likely worsen in 2008.

Letters of No Prejudice

AB 1335 (Chapter 908, Statutes of 2001) authorized the Commission to grant an LONP for a TCRP project, allowing a local agency to expend its own funds on the project and qualify for later reimbursement when, and if, sufficient funding becomes available in the Traffic Congestion Relief Fund (TCRF). AB 1335 also authorized the Commission to develop guidelines for LONPs. The Commission, in cooperation with Caltrans and regional and local agencies, developed LONP guidelines and the Commission adopted them on August 14, 2003.

At that time, the Commission reminded local agencies requesting LONPs that they proceed at their own risk because reimbursement is wholly dependent upon the availability of TCRF funding. Despite the risk, a number of local agencies found their TCRP projects to be of sufficiently high priority to proceed with local funds. The guidelines specified that up to 50 percent of the TCRP funding made available each fiscal year would be allocated for LONP reimbursements and that reimbursements would generally be made only upon completion of the project phase for which an LONP had been granted.

SB 66 (Chapter 375, Statutes of 2005) required the Commission, by June 2006, to review and revise its LONP guidelines with regard to LONPs that were approved prior to June 30, 2005, particularly the provision limiting reimbursements to completed project phases. SB 66 also specified that the amount allocated for reimbursements of the TCRP funding made available each fiscal year could not exceed the Commission's 50 percent maximum. On April 26, 2006, the Commission approved revised TCRP Guidelines as required in SB 66.

To date, the Commission has approved LONPs totaling $656 million for 21 projects and has allocated approximately $605 million to reimburse completed TCRP projects or completed phases of work that have an approved LONP. A total of $51 million remains to be reimbursed for ongoing TCRP projects with approved LONPs. ■

Report on County and Interregional Share Balances

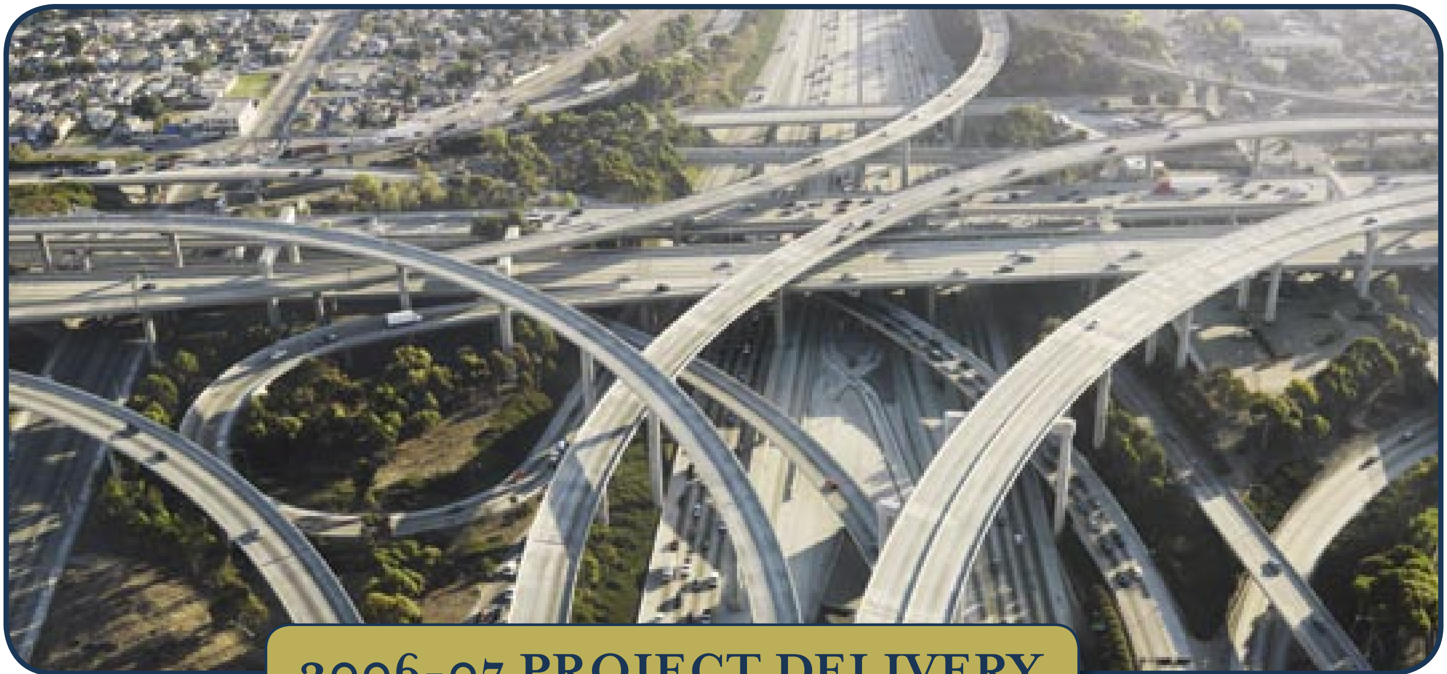
Section 188.11 of the Streets and Highways Code mandates that the California Transportation Commission (Commission) maintain a record of State Transportation Improvement Program (STIP) county share balances and that it make the balances through the end of each fiscal year available for review by regional agencies not later than August 15 of each year.

On August 1, 2007, the Commission issued its tenth annual Report of STIP Balances, County and Interregional Shares, and included the 2006 STIP Augmentation and all STIP amendments and allocations approved through the Commission's July 26, 2007 meeting. The share balances were based on the allocation capacity identified through 2010 11 in the 2006 STIP Augmentation fund estimate, adopted in December 2006. The balances also include all current cash commitments made for AB 3090 cash reimbursements and for GARVEE debt service through the end of the next four year county share period, 2011-12.

The following table provides a summary of the status of each individual county share and interregional share. For each share, the summary identifies the carryover balance from June 30, 2006, any adjustments since July 1, 2006, and a listing of each project that is currently programmed from the share or that has been allocated from the share since July 2007.

SUMMARY OF STIP SHARE BALANCES
August, 2007 ($1,000s)

County	Share Amount	Share Programmed	Unprogrammed Balance	Balance Advanced
Alameda	$ 265,240	$ 265,193	$ 47	$ 0
Alpine-Amador-Calaveras	42,117	41,987	130	0
Butte	49,968	51,064	0	1,096
Colusa	11,424	8,927	2,497	0
Contra Costa	154,064	153,784	280	0
Del Norte	7,181	5,158	2,023	0
El Dorado LTC	20,833	24,124	0	3,291
Fresno	130,356	109,207	21,149	0
Glenn	10,782	7,779	3,003	0
Humboldt	65,884	64,048	1,836	0
Imperial	89,185	70,815	18,370	0
Inyo	91,102	86,246	4,856	0
Kern	265,026	261,726	3,300	0
Kings	40,955	32,977	7,978	0
Lake	27,876	22,335	5,541	0
Lassen	30,728	27,964	2,764	0
Los Angeles	1,602,238	1,732,854	0	130,616
Madera	26,223	24,526	1,697	0
Marin	38,911	69,628	0	30,717
Mariposa	11,132	8,988	2,144	0
Mendocino	53,759	51,542	2,217	0
Merced	40,061	36,354	3,707	0
Modoc	12,684	10,126	2,558	0
Mono	57,462	49,232	8,230	0
Monterey	163,013	167,140	0	4,127
Napa	36,906	39,319	0	2,413
Nevada	30,249	28,573	1,676	0
Orange	455,791	475,127	0	19,336
Placer TPA	38,948	98,371	0	59,423
Plumas	17,532	9,191	8,341	0
Riverside	556,168	538,053	18,115	0
Sacramento	75,587	73,510	2,077	0
San Benito	18,490	20,584	0	2,094
San Bernardino	630,348	605,470	24,878	0
San Diego	539,073	577,132	0	38,059
San Francisco	107,302	64,289	43,013	0
San Joaquin	127,231	121,164	6,067	0
San Luis Obispo	124,004	112,129	11,875	0
San Mateo	123,535	114,828	8,707	0
Santa Barbara	171,281	165,000	6,281	0
Santa Clara	238,022	238,160	0	138
Santa Cruz	58,933	61,698	0	2,765
Shasta	53,514	51,624	1,890	0
Sierra	8,615	8,753	0	138
Siskiyou	33,684	31,955	1,729	0
Solano	83,850	83,866	0	16
Sonoma	86,663	112,066	0	25,403
Stanislaus	142,484	133,124	9,360	0
Sutter	27,020	27,841	0	821
Tahoe RPA	16,899	13,284	3,615	0
Tehama	27,808	24,698	3,110	0
Trinity	26,500	23,213	3,287	0
Tulare	158,718	151,050	7,668	0
Tuolumne	22,880	23,236	0	356
Ventura	134,034	123,939	10,095	0
Yolo	37,132	38,977	0	1,845
Yuba	20,854	20,980	0	126
Statewide Regional	**$ 7,538,259**	**$ 7,594,928**	**$ 266,111**	**$ 322,780**
Interregional	2,557,858	2,523,061	34,797	0
TOTAL	**$10,096,117**	**$10,117,989**	**$ 300,908**	**$ 322,780**



2006-07 PROJECT DELIVERY

Project delivery (making projects ready to go to construction) continued to improve in 2006-07 for the Department of Transportation (Caltrans) and local agencies. The California Transportation Commission (Commission) tracks delivery for projects programmed and funded from the State Transportation Improvement Program (STIP), the State Highway Operations and Protection Program (SHOPP), the Regional Surface Transportation Program (RSTP), and the Congestion Mitigation and Air Quality (CMAQ) program. For the STIP, the Commission measures delivery in terms of allocations made to projects programmed for each fiscal year. For the RSTP and CMAQ programs, under which federal funds are programmed directly by regional agencies, the measure of delivery is the obligation of the federal funds by a local agency.

STIP Project Delivery

The Commission tracks project allocations as scheduled in the STIP. For the Department of Transportation (Caltrans) projects, the Commission allocates project funding only for construction capital outlay. The Commission does not allocate funds for Caltrans support activities (including environmental and design work, right-of-way support, and construction engineering), and it allocates right-of-way capital outlay funds on an annual lump sum basis, not by specific project. Caltrans delivered 46 of the 50 originally scheduled projects for 2006-07, a 92 percent project delivery rate. In 2006-07, the Commission actually allocated $445 million to Caltrans STIP projects.

For local agency projects, unlike Caltrans projects, the Commission allocates all programmed STIP funds and tracks each discrete programming component (environmental, design, right-of-way, and construction) as a separate project. The local agencies delivered 226 of the 303 originally scheduled projects for 2006-07, a 75 percent project delivery rate. In 2006-07, the Commission actually allocated $465 million to local agency STIP projects. For the 77 undelivered projects, the Commission granted delivery deadline extensions to 27 projects valued at $21 million and local agencies lapsed 50 projects valued at $40.7 million. The lapsed $40.7 million reverted to county share balances to be available for programming in the 2008 STIP.

SHOPP Project Delivery

Caltrans delivered 258 of the 253 originally scheduled projects for 2006-07, a 102 percent delivery rate. There are other types of projects that are not included in the Commission approved SHOPP, but represent a delivery effort by Caltrans and, for record keeping purposes, are kept under the SHOPP umbrella. These categories of projects include: minor projects, emergency and seismic retrofit projects allocated by Caltrans under Commission Resolution G-11, and SHOPP administered TE projects. In 2006-07, the Commission actually allocated $1.36 billion to SHOPP projects.

The following tables provide a summary of the 2006-07 STIP delivery record and compares it against the two prior years.

Caltrans STIP Delivery ($ in millions)

	2004-05		2005-06		2006-07	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$12.7	6	$490.0	60	$235.10	50
Extensions					-$1.90	-2
Allocation savings	-$0.2					
Lapsed			-$11.9	-1	-$0.29	-2
Delivered as programmed	$12.5	6	$478.1	59	$232.91	46
Percent of projects		100%		98%		92%
Percent of dollars	98%		97%		99%	
Advanced	$357.5	18	$41.0	3	$174.44	12
Delivered, with advances	$370.0	24	$519.1	62	$407.35	58
Prior-year extensions delivered					$37.54	6
Total delivered	$370.0	24	$519.1	62	$444.89	64
Funded by allocation	$12.5	6	$519.1	62	$444.89	64
Funded through AB 3090						
Funded through GARVEE						
Placed on pending list, not funded	$357.5	18	$0.0	0	$0.00	0

Local STIP Delivery ($ in millions)

	2004-05		2005-06		2006-07	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$92.7	176	$355.3	432	$386.71	303
Ineligible per allocation plan	-$36.3	-31	-$17.8	-18		
Total eligible for delivery	$56.4	145	$337.5	414	$386.71	303
Extensions	-$10.0	-24	-$8.5	-12	-$21.21	-27
Lapsed	-$7.9	-8	-$20.5	-24	-$40.69	-50
Delivered as programmed	$38.5	113	$308.5	378	$324.81	226
Percent of projects		78%		91%		75%
Percent of dollars	68%		91%		84%	
Advanced					$55.84	21
Delivered, with advances					$380.65	247
Prior-year extensions delivered					$84.82	61
Total delivered	$38.5	113	$308.5	378	$465.47	308
Funded by allocation	$38.5	113	$308.5	378	$465.47	308
Funded through AB 3090						
Funded through GARVEE						
Placed on pending list, not funded	$0.0	0	$0.0	0	$0.00	0

The following table provides a summary of the 2006-07 SHOPP delivery record and compares it against the prior two years.

Caltrans SHOPP Delivery ($ in millions)

	2004-05		2005-06		2006-07	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Planned	$1,592	$294	$1,376	$302	$1,331	$253
Delivered	1,485	294	1,385	309	1,366	258
Percent	93%	100%	101%	102%	103%	102%

Caltrans Annual Right-of-Way Allocation

Commission Resolution G-91-1 authorizes Caltrans to suballocate funds from the Commission's yearly allocation for the total right-of-way program to individual projects for the acquisition of right-of-way, relocation of utilities, and other necessary related right-of-way activities. Caltrans is also authorized to allot funds for acquisition of hardship and protection parcels when circumstances warrant such acquisitions. During 2006-07, Caltrans requested and the Commission allocated $302 million for right-of-way activities. Caltrans spent the entire $302 million on right-of-way activities in 2006-07.

Caltrans Environmental Document Delivery

Tracking the completion of environmental documents is particularly important in flagging possible delays of future construction projects. In 2006-07, Caltrans achieved an 86 percent delivery rate for environmental document delivery. Of particular concern is the delivery of Draft Environmental Documents, which was only 59 percent of the planned documents in 2006-07.

Local RSTP and CMAQ Projects

When AB 1012 first applied "use-it-or-lose-it" provisions to the RSTP and CMAQ programs, it created a major incentive for on-time delivery and use of the funds. AB 1012 specified that RSTP and CMAQ funds not obligated by a region within the first three years of federal eligibility were subject to redirection by the Commission in the fourth year. Caltrans monitors the obligation of funds apportioned to each region, reports the status of those apportionments to the Commission quarterly, and provides written notice to the regional agencies one year in advance of any apportionment reaching its three year limit. Any region with an apportionment within one year of the limit is required to develop and implement a plan to obligate its balance before the three year limit is reached.

- Seventh Cycle, 2003-04 Federal Apportionment – Caltrans released its seventh cycle AB 1012 "use-it-or-lose-it" notices in November 2005. At that point, the unobligated amount subject to redirection on November 1, 2006 totaled $88 million. By the November 2006 deadline, all but $8.1 million had been obligated. At the December 2006 meeting, the Commission redirected $7.5 million back to the agencies.
- Eighth Cycle, 2004-05 Federal Apportionment – Caltrans released its eighth cycle AB 1012 "use-it-or-lose-it" notices on November 20, 2006. At that point, the unobligated amount subject to redirection on November 20, 2007 totaled $134 million.

Other Local Assistance Projects

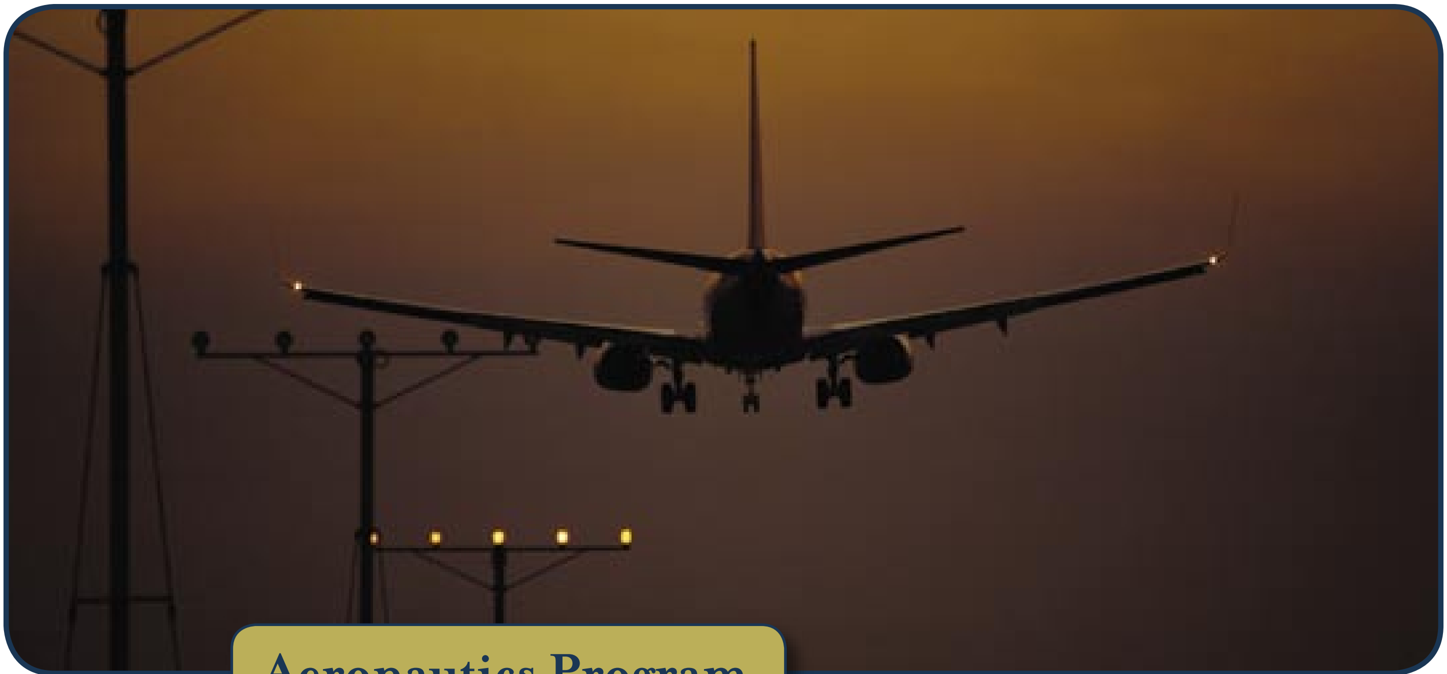
Local agencies have dedicated considerable effort toward improving the delivery of local RSTP and CMAQ projects, but the success is not as good with other local assistance project categories in which the AB 1012 "use-it-or-lose-it" provisions are not in force. However, the 2006-07 local assistance appropriation is available for three years. Local assistance projects will continue to charge against this appropriation over the next two years.

For the RSTP and CMAQ programs, allocations applied to transit projects are transferred to the Federal Transit Administration (FTA). Those transfers are displayed separately on the table and included in the "use of allocation" figures for RSTP and CMAQ. ■

The following table provides a summary of how the Commission's 2006-07 local assistance allocations, totaling $1.4 billion were used by local agencies in the first year of availability and provides a comparison with the usage of prior first year availability.

Use of Local Assistance Allocations, First Year of Availability
(1,000s)

	2004-05		2005-06		2006-07	
Category	**Allocation**	**Use**	**Allocation**	**Use**	**Allocation**	**Use**
RSTP	$376,211	$162,255	$310,600	$103,308	$382,458	$102,974
RSTP match & exchange	46,000	47,477	51,250	50,801	58,150	52,292
CMAQ	410,856	50,581	333,608	95,817	411,367	31,103
FTA Transfers		259,323		245,450		228,321
Subtotal, RSTP/CMAQ	$833,067	$519,636	$695,458	$495,376	$851,975	$414,690
Br. Inspection & Match			2,460	1,460	3,375	362
Br. Rehab & Replacement	130,248	50,880	127,311	40,705	138,406	104,640
Bridge Seismic Retrofit	67,880	25,479	53,905	25,693	94,551	6,423
Bridge Scour	3,375	1,815				
RR Grade Crossing						
Protection	12,720	3,278	10,911	374	8,009	0
Maintenance	4,250	4,250	1,000	1,000	1,000	0
Grade Separations	15,000	5,720	15,000	0	15,000	10,000
Hazard Elimination/Safety	12,720	6,850	18,549	3,016	19,961	4,191
High Risk Rural Roads			7,021	0	7,435	0
Safe Routes to School	25,440	5,467	37,353	696	41,624	68
Regional TEA	0	0	2,000	0	0	0
State Exchange	6,440	0				
Demo Projects	0	62,389	0	23,365		
High Priority Projects					215,109	50,735
Miscellaneous	3,625	14,593	4,616	34,576	3,625	36,770
Total	**$1,114,765**	**$700,357**	**$975,584**	**$626,621**	**$1,400,070**	**$627,879**



Aeronautics Program

The rapidly expanding role of aviation in moving people and goods in the global economy requires the State to act proactively to position itself as a practical and accessible region for commercial and business aviation use. California's economic future depends upon efficient air and surface transportation infrastructure that will connect all areas of the State to the global economy.

California cannot meet these goals for the statewide aviation system if it continues to leave aviation decision-making to local politics and priorities alone. The State should take responsibility—in cooperation with local, regional, and federal agencies—for providing the leadership and support needed to develop the aviation system essential to our economy in the 21st Century. California must continually assess its role in aviation to ensure that California remains competitive in the global economy.

The Commission's Aviation Responsibilities

The California Transportation Commission's (Commission) primary responsibilities regarding aeronautics include:

- Advising and assisting the Legislature and the Secretary of the Business, Transportation and Housing (BT&H) Agency in formulating and evaluating policies and plans for aeronautics programs;
- Adopting the California Aviation System Plan (CASP); a comprehensive plan prepared by Caltrans that defines state policies and funding priorities for general aviation and commercial airports in California; and
- Adopting and allocating funds under the biennial three-year Aeronautics Program, prepared by Caltrans, which directs the use of Aeronautics Account funds to:
  - providing a part of the local match required to receive Federal Airport Improvement Program grants; and
  - funding Acquisition and Development capital outlay projects for airport rehabilitation, safety and capacity improvements at public-use airports.

Technical Advisory Committee on Aeronautics

Under Government Code Section 14506.5, the Commission appoints a Technical Advisory Committee on Aeronautics (TACA) to give advice on the full range of aviation issues considered by the Commission. The current TACA membership includes representatives from airport businesses, aviation divisions of large companies, air cargo companies, pilots and aircraft owners, managers of commercial and rural airports, managers of operations at major commercial airports, metropolitan and local planning organizations, and federal and state aviation agencies.

2007 Activities

Caltrans develops the Aeronautics Program from a 10-year Capital Improvement Plan comprised of a fiscally unconstrained list of projects from eligible airports. The Aeronautics Program, a biennial three-year program of projects, is fiscally constrained. The Aeronautics Account, which receives revenues from State general aviation fuel taxes, funds the Aeronautics Program. Funding from the Aeronautics Program, combined with local matching funds, is used to match federal Airport Improvement Program (AIP) grants and fund capital outlay projects at public-use airports through the Acquisition and Development (A&D) element of the California Aid to Airports Program (CAAP). The CAAP also includes a statutory annual credit grant program, which provides annual nondiscretionary grants of $10,000 for each general aviation airport in the State. Aeronautics Account funds are applied first to Caltrans aeronautics operations and the annual credit grant program. Any remaining funds are then available for the projects in the Aeronautics Program adopted by the Commission.

In October 2007, the Commission adopted the 2008 Aeronautics Account Fund Estimate. The Fund Estimate covers Fiscal Years 2008-09 through 2010-11 and identifies approximately $7 million over the three-year fund estimate period to be available for Federal AIP matching grants, A&D grants or funding of other eligible Aeronautics projects. The Commission plans to adopt the Aeronautics Program in the spring of 2008.

In March 2007, the Commission retained a match rate of 10 percent that local agencies must provide to obtain State funds for Acquisition and Development projects. In June 2007, the Commission retained the reduced Airport Improvement Program (AIP Match) rate of 2.5 percent by the State, thereby increasing the local match required to qualify for federal grants. The reduction in the AIP matching rate will permit previously unfunded A&D nonsafety projects to receive State funding during the Fund Estimate period.

During the year, the Commission received advice from its TACA regarding the Aeronautics Program and the matching ratios of the Aeronautics grant programs. The Commission also received advice from TACA on pending legislation. The Commission supported bills to increase funding for general aviation capital projects and changes in airport and land use compatibility law.

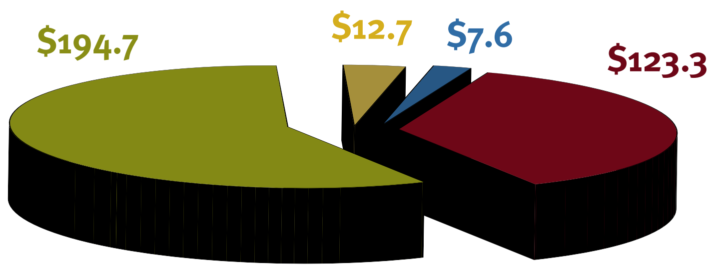
Existing State Aviation Funding

The State Aeronautics Account represents the sole State source of funding for the Division of Aeronautics and the programs it administers. Revenue sources for the Aeronautics Account include an 18-cent per gallon motor vehicle fuel excise tax on general aviation gasoline and a two-cent per gallon excise tax on general aviation jet fuel. Air carrier, military aircraft and aviation manufacturing are exempt from the two-cent per gallon excise tax on jet fuel. The annual revenue transferred by the State Controller's Office (SCO) into the State Aeronautics Account has steadily decreased. In fact, the highest transfer of $8.4 million occurred in Fiscal Year (FY) 1999-00 and since then it has declined steadily. In fiscal year 2005-06, the SCO reported a transfer of $7.4 million into the State Aeronautics Account, the lowest transfer since FY 1992-93. Although increased aviation jet fuel sales have helped slow the decline, the downward trend continues. The State Aeronautics Account will continue to decrease until another funding source comes on line.

The latest available data show that aviation activities annually generate $338.3 million in taxes from aviation activities that flow into state and local government coffers, yet only 2.3 percent or $7.6 million from excise taxes addresses aviation needs. Of the remaining $330.7 million in tax revenues, sales tax on aviation jet fuel and general aviation gasoline accounts for an estimated $123.3 million and $12.7 million respectively. Property taxes and possessory interests accounts for the remaining $194.7 million. The State General Fund received $77.3 million of the $123.3 million generated from sales and use tax on general aviation jet fuel.

The Commission has long supported increasing state funding to develop an integrated system of airports that adequately meets the demands of California's economy. California could make significant progress in implementing state priorities for increasing airport capacity and safety, security, enhancing air passenger mobility, improving air cargo efficiency, mitigating the impacts of airport operations on local communities, and mitigating the impacts of land use encroachment on airport operations. The Commission supports

Aviation Revenues and Funding For General Aviation
($338.3 Million From Taxes)
(Millions)



redirecting a portion of state sales tax revenues from the sale of aviation jet fuel to fund state aviation programs. These tax revenues are a "user fee" paid by the aviation industry and users, in the same way that sales tax revenues on gasoline and diesel fuel, currently directed to highway and transit program funding, are user fees on drivers.

Estimated Demand for Future State Aviation Funding

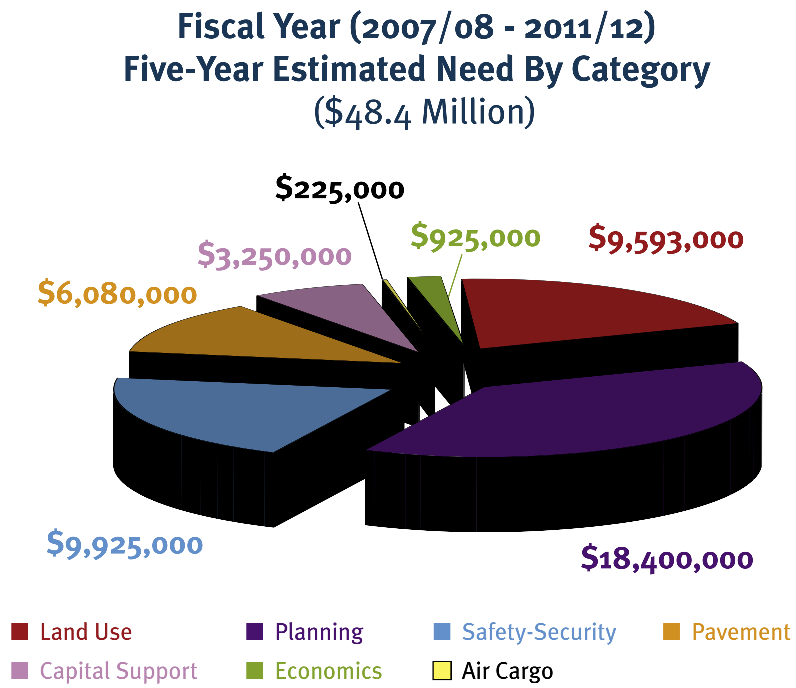
The Commission, based on proposals from TACA, recommends that the Legislature and the Administration act to address state aviation system needs through legislation that would provide a stable funding source of about $9 million per year from the aviation jet fuel sales tax for the Aeronautics Account. The Commission would program and allocate the funding to publicly owned general aviation airports and air carrier public use airports for activities addressing airport safety/security, capacity needs, and needed studies such as economic and land use studies, and comprehensive land use compatibility plans to enhance the capacity and capability of those airports. The chart on the next page shows the estimated five-year need by category.

At the Commission's direction, TACA will work in 2008 with representatives of the Business, Transportation and Housing Agency and Caltrans to:

- Identify potential roles and policies for the State in developing California's aviation system.
- Support appropriate legislative proposals that would:
  - dedicate the Aeronautics Account revenues derived from the existing aviation fuel excise tax and the potential set-aside of a portion future aviation jet fuel sales tax for aviation purposes.
  - increase funding for Caltrans to assist smaller airports in securing state and federal aviation grants, to ensure that California receives the maximum amount of federal funding and uses state funds effectively for planning and matching fund purposes.
  - update the California Public Utilities Code sections 21670 through 21679 to further solidify and strengthen airport land use law to preclude and prevent in compatible land use around airports.
  - amend current statute to allow local agencies to request Commission approval for an agency to use its own funds, to advance funding for the required match of a Federal Airport Improvement Program grant with the promise for later repayment by the State.
- Authorize and fund the Caltrans Division of Aeronautics to provide information to pilots and business aviation departments to promote the use of a larger number of California's airports and use more efficiently the existing system capacity. Existing and newly upgraded facilities often are not used to their potential. Caltrans could help to manage both highway congestion and runway congestion by marketing alternatives to congested airports that are within a convenient distance of major business destinations, especially in light of the growth of air taxi services using small very light jets (VLJs).

Federal Re-authorization of Vision 100

Vision 100, Century of Flight Authorization Act of 2003, is a four-year statute that lapsed this year. Congress is acting on the re-authorization of Vision 100. The act provides funding for the Federal Aviation Administration's Airport Improvement Program. These revenues are extremely important for the overall preservation and enhancement of California's Public Use Airport System. Nationwide the annual authorized AIP funding levels were about $3.5 billion. California typically receives around eight to 10 percent of the funds appropriated. Over the past several years, the federal administration has proposed smaller appropriations than the authorized levels for the AIP program, including General Aviation Airport Entitlements, and the Small Community Air Service Development Program. The federal administration proposed a smaller re-authorization, this year, which negatively affects the funding for nearly 200 of California's general aviation airports. The Legislature and Governor should inform the California Congressional delegation of the need to maintain and increase the federal funding, including appropriations in the re-authorization.



The Federal Aviation Administration (FAA) introduced in February the Next Generation Air Transportation System Financing Reform Act of 2007 (NextGen). NextGen lays out the Administration's vision for meeting the challenges of transforming the aviation system to handle future demand. The Administration's proposal included fundamental changes to the funding structure of the FAA the services it provides.

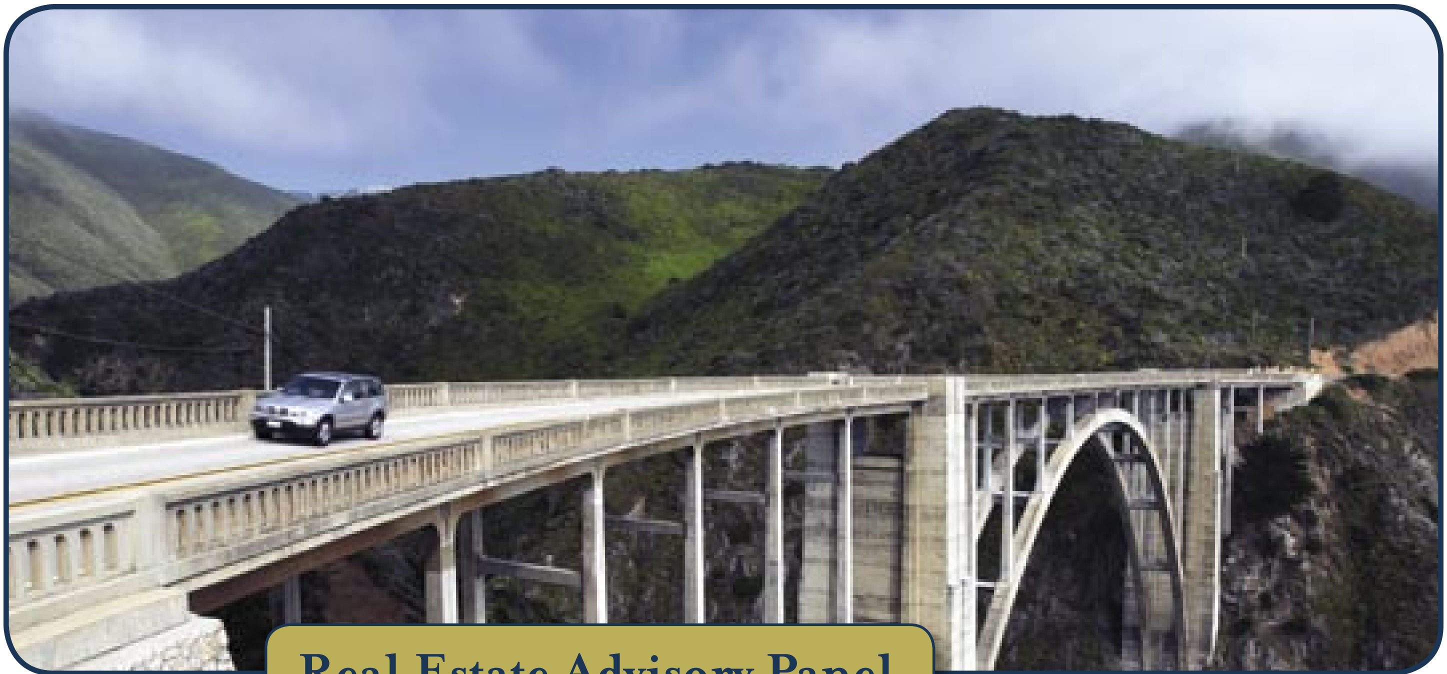
The FAA proposal to forward the Administration's view would:

- Generate revenue based on the air traffic system, whether it is commercial, business, or general aviation.
- Create a stable, cost-based revenue structure combined with flexible capital financing.
- Maintain a continued general fund contribution for services provided by the FAA.
- Provide up to $5 billion in Treasury debt financing authority beginning in FY 2013 to support NextGen-related capital needs and accelerate the transition to NextGen.
- Allow airports to more effectively meet their needs through an expansion of the Passenger Facility Charge (PFC) program and reform of its outdated regulations.
- Authorize the use of congestion pricing or actions to more effectively allocate scarce resources at congested airports, reducing delays and maximizing passenger throughput.
- Support a cleaner, quieter, and more energy efficient future for aviation through initiatives that support enhanced stewardship of our natural resources.

House and Senate versions of the reauthorization legislation were moving through their respective bodies. No legislation passed before Congress recessed. Currently, Congress passed continuing resolutions to allow for continued operation of the FAA and for federal reimbursement of airport improvement projects.

The House version is furthest along. The House version would increase the AIP program over the four-year life of the re authorization from $3.9 billion in FY 2008 to $4.1 billion in FY 2011. This is more than a billion/year more than the Administration's proposal. The bill also provides some $24 million for the continuation of the Essential Air Service program.

The Administration proposal on revenue generation is to charge the users rather than collecting a fuel tax. The House, however, concluded that it would use the current methods for generating revenues through a tax on gasoline, where federal taxes on aviation jet fuel would increase from 21.8 to 36 cents per gallon, and the federal tax on aviation gasoline would rise from 19.3 to 24.1 cents per gallon. The House bill would also permit an increase in the maximum passenger facility change (PFC) from $4.50 to $7 per passenger. The Administration supports an increase to $6 per passenger. ■



Real Estate Advisory Panel

Given the increasingly complex and interwoven transportation, land use, and real estate issues facing California, the California Transportation Commission (Commission) decided to establish the Real Estate Advisory Panel (REAP) to advise the Commission. The Commission appointed nine members to the REAP; all members are volunteers from the private sector. At its May 2005 meeting, the Commission adopted a mission statement for the REAP to:

- Advise the Commission on issues relating to real estate, land use, land use and transportation policies, and existing statutes and proposed legislation and their resulting impact on transportation.
- Advise the staff of the Commission and the Department of Transportation (Caltrans), within the framework of existing statutes and pertinent Commission policies, on maximizing income from leasing and managing properties owned by the state.

2007 Activities

In 2007, the REAP met three times. During the year:

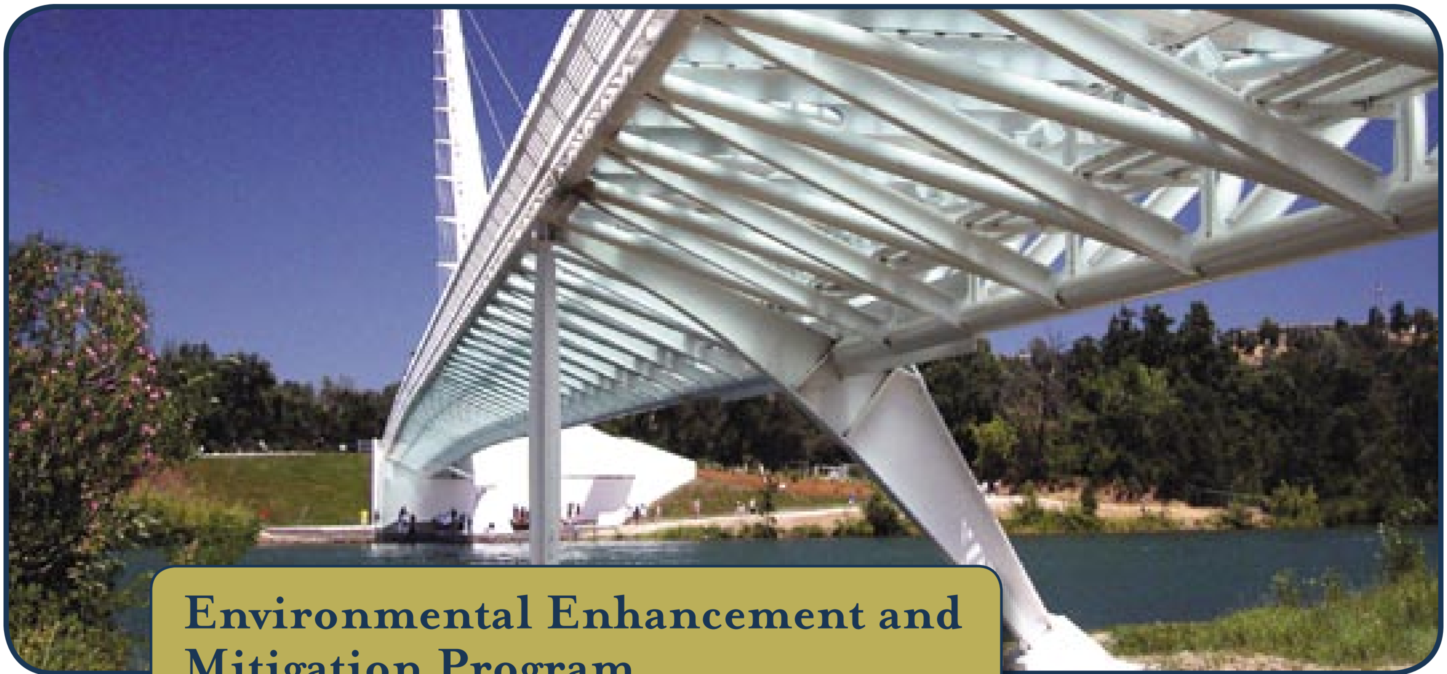
- The REAP advised Caltrans on an airspace lease extension. The Commission approved the airspace lease extension that Caltrans brought to the Commission for consideration.
- Caltrans reported to the REAP on the progress of its Excess Land Disposal Plan. Caltrans developed the Plan last year with the REAP's advice regarding stratagems that Caltrans could use to improve its property management practices for evaluating properties for retention and sale.
- Commission staff advised the REAP of bills dealing with eminent domain, surplus residential property, and property management and record retention requirements for Caltrans.

- The REAP considered a proposed transaction by Caltrans, as directed by then-Governor Davis, to convey a number of properties at no cost to the Transbay Joint Powers Authority for a regional transit center, replacing the existing Transbay Terminal. The REAP advised the Commission:
  - on the soundness of the financial assumptions;
  - advised on the likelihood of Phase 1 (above-ground bus terminal) and Phase 2 (underground rail terminal) of the project being completed;
  - considered the likelihood that the TJPA would obtain the necessary zoning changes to build the desired landmark skyscraper; and
  - discussed the operational requirements for an underground rail facility.

The Commission acted at its December meeting to approve conceptually all the proposed conveyances with the following conditions:

- Caltrans would not transfer the properties until it no longer needed the properties for the Western Approach Seismic Safety Project for the Bay Bridge.
- The State's responsibility for the maintenance of the existing terminal ceases when the new temporary terminal is operational. Accordingly, the Commission is particularly interested in the TJPA:
  - Staying on schedule to demolish the existing terminal by March 31, 2010.
  - Completing construction of the temporary terminal by July 31, 2009.
- Should the TJPA fail to develop and operate a new Transbay Terminal by the project completion date, the State may exercise any unexpired "power of termination" detailed in the cooperative agreement. "Power of termination" permits the State, at its option, to reclaim unsold parcels or assume the monies set aside in a trust account from the sales of those parcels.

The TJPA will report every six months on the progress and upcoming challenges facing it in implementing Phase 1, the above ground bus terminal, as well as progress on Phase 2, the underground rail terminal. ■



Environmental Enhancement and Mitigation Program

The Environmental Enhancement and Mitigation (EE&M) Program was established to fund environmental enhancement and mitigation projects directly or indirectly related to transportation projects, and funding is ordinarily provided by a $10 million annual transfer to the EE&M Fund from the State Highway Account. EE&M Program projects must fall within any one of three categories: Highway landscape and urban forestry; resource lands; and roadside recreation. Projects funded under this program must provide environmental enhancement and mitigation over and above that otherwise called for under the California Environmental Quality Act (CEQA).

Section 164.56 of the Streets and Highways Code mandates that the Resources Agency evaluate projects submitted for the program and that the California Transportation Commission (Commission) award grants to fund projects recommended by the Resources Agency. Any local, state, or federal agency or nonprofit entity may apply for and receive grants. The agency or entity need not be a transportation- or highway-related organization, but it must be able to demonstrate adequate charter or enabling authority to carry out the type of project proposed. Two or more entities may participate in a joint project with one designated as the lead agency. The Resources Agency has adopted specific procedures and project evaluation criteria for assigning quantitative prioritization scores to individual projects. In funding the program, an attempt is made to maintain a 40/60 North/South split between California's 45 northern and 13 southern counties.

As Fiscal Year (FY) 2005-06 projects could not be approved due to elimination of EE&M funding in the State budget, the Resources Agency directed agencies that applied to update their applications, as appropriate, and resubmit them for funding. The Resources Agency evaluated the revised applications and recommended 40 projects for funding from the $10 million included in the FY 2006-07 budget for the EE&M Program.

The Commission approved an allocation of $6,635,583 for 28 projects at its March 2007 meeting. The Commission approved a second allocation of $3,189,252 at its June 2007 meeting for 12 more projects plus additional funding for two of the original 28 projects.

To date, a total of 587 projects have been programmed by the Commission at a total cost of $135,224,835. Of those, there have been 204 highway landscape and urban forestry projects; 208 resource land projects; and 175 roadside recreation projects.

2007 08 EE&M Program

The FY 2007-08 budget included $10 million in funding for the EE&M Program. It is anticipated that the Resources Agency will submit its recommended project list to the Commission in January 2008 for programming and allocation. The Commission will report on the projects funded through the EE&M Program in FY 2007-08 in its 2008 Annual Report to the Legislature. ■

Proposition 116 Program

In 2007, the California Transportation Commission (Commission) allocated $16.6 million from the proceeds of Proposition 116, the $1.99 billion initiative bond measure approved in June 1990. As of December 2007, 17 years later, $178 million of the original authorization still remains unallocated.

Proposition 116 enacted the Clean Air and Transportation Improvement Act of 1990, designating $1.99 billion for specific projects, purposes, and geographic jurisdictions, primarily for passenger rail capital projects. Of this amount, Proposition 116 authorized $1.852 billion for the preservation, acquisition, construction, or improvement of rail rights-of-way, rail terminals and stations, rolling stock acquisition, grade separations, rail maintenance facilities, and other capital expenditures for rail purposes; $73 million for 28 nonurban counties without rail projects, apportioned on a per capita basis, for the purchase of paratransit vehicles and other capital facilities for public transportation; $20 million for a competitive bicycle program for capital outlay for bicycle improvement projects that improve safety and convenience for bicycle commuters; another $30 million to a water-borne ferry program ($20 million competitive and $10 million to the City of Vallejo) for the construction, improvement, acquisition, and other capital expenditures associated with water-borne ferry operations for the transportation of passengers or vehicles, or both.

Senate Bill 79 (Chapter 173, Statutes of 2007) added Section 99655 to the Public Utilities Code allocating $1 million from Section 99621 and $14,653,000 from Section 99622(a) to the Department of Transportation (Caltrans) for the High Speed rail project.

The funds authorized under Proposition 116 are made available under a two-step process that is analogous to the process used for STIP funding. First, the Commission programs the funds for projects eligible under the original authorization, which it does by approving project applications that define a project's scope, schedule, and funding. Then the Commission allocates the funds when the project is ready for funding.

2007 Program Allocations

In 2007, the Commission allocated $16,552,530 in Proposition 116 funding, including $35,875 to Caltrans for the Amtrak Station improvements project in Goleta; $953,655 to the Peninsula Corridor Joint Powers Board for ADA pedestrian crossing and platform improvements at the Palo Alto Caltrain Station; and $15,563,000 to Caltrans for the High Speed rail project.

Potential Reallocation of Funds

Under the terms of Proposition 116, all funds authorized for an agency were to have been obligated or spent by July 1, 2000, unless economically infeasible. For any funds not expended or encumbered by July 1, 2000, Proposition 116 permits the Legislature to reallocate funds by statute to another rail project within the same agency's jurisdiction. In the case of Caltrans, the reallocation must be to a state-sponsored passenger rail project. After July 1, 2010, the Legislature may reallocate any unencumbered Proposition 116 funds to another passenger rail project anywhere in the state. Any legislative reallocation must be passed by a two-thirds vote in each house of the Legislature.

The following provides the status of the unallocated funding:

- **Humboldt and Mendocino Counties.** Proposition 116 authorized and the Commission allocated $10 million to the North Coast Railroad Authority (NCRA) for improvement of rail service, including rail freight service and tourist-related services, important to the regional economy of Humboldt and Mendocino Counties. As a result of project deletions, the sale of five rail cars, and disallowed project costs, the net balance available to the NCRA is $72,285.
- **Los Angeles.** Proposition 116 authorized $80 million and the Commission allocated $74.8 million to Caltrans for grade separations along the Alameda-San Pedro branch rail line connecting Los Angeles and Long Beach Harbors with downtown Los Angeles and paralleling Alameda Street, to alleviate vehicle traffic congestion, conserve energy, reduce air pollution in the area, and facilitate the more efficient and expeditious shipment of freight to and from the Los Angeles and Long Beach Harbors. The allocated projects were completed. A balance of $5,171,684 remains unallocated and is available to Caltrans for grade separations in the Alameda Corridor, or could be reallocated by the Legislature to Caltrans for state-sponsored passenger rail projects anywhere in the state.
- **Los Angeles.** Proposition 116 authorized and the Commission allocated $229 million to the Los Angeles County Transportation Commission, now the Los Angeles County Metropolitan Transportation Authority (MTA), for expenditure on rail projects within Los Angeles County. The allocated projects were completed. A balance of $62,083 remains unallocated and is available to the MTA for rail projects within Los Angeles County.
- **Monterey.** Proposition 116 authorized $17 million to the Transportation Agency for Monterey County (TAMC) for extension of Caltrain service or other rail projects within Monterey County. To date, $9.82 million has been programmed and allocated for the Monterey County Branch Line extension to reestablish rail transportation between San Francisco and Monterey, a service that ran from 1880 until 1971. The use of the $9.82 million was for right-of-way acquisition and related right-of-way costs. These activities have been completed. Another $0.94 million has been allocated for right-of-way/appraisal for the Caltrain extension from Gilroy to Salinas. Thus, $6.24 million remains unallocated.
- **Nonurban Counties.** Proposition 116 authorized $73 million for apportionment on a per capita basis to 28 nonurban counties without passenger rail projects. These amounts were available for paratransit vehicles or other public transportation capital projects. Through project close-outs and deletions, a total of $87,571 now remains unallocated. Under the terms of Proposition 116, the Commission may reallocate the remaining funds on the basis of a competitive grant program to public transportation capital projects in any of the 28 counties. The Commission is required to adopt regulations or guidelines governing the competitive program before doing so.
- **Orange.** Proposition 116 authorized $125 million to the City of Irvine for construction of a fixed guideway demonstration project. The Commission allocated $3.7 million to the City of Irvine for study of the Centerline light rail project. As the Orange County Transportation Authority (OCTA) Board voted to discontinue the Centerline light rail project in July 2005, the City of Irvine has started preliminary activities for a substitute Proposition 116-eligible project. The City expects to complete environmental and alternatives analysis work in about 18 months and be ready to request programming and allocation of the entire $121.3 million balance by mid-2009.
- **Santa Clara.** Proposition 116 authorized and the Commission allocated $47 million to the Santa Clara County Transit District, now the Santa Clara Valley Transportation Authority (VTA), for expenditure on rail projects within Santa Clara County. The allocated projects are now complete. A balance of $137,957 remains unallocated and is available to the VTA for rail projects within Santa Clara County.

- **Santa Cruz.** Proposition 116 authorized $11 million for intercity rail projects connecting the City of Santa Cruz with the Watsonville Junction or other rail projects within Santa Cruz County "which facilitate recreational, commuter, intercity and intercounty travel." To date, the Commission has allocated $300,000 for right of way activities for the Santa Cruz Branch Line recreational rail project, including appraisals. The remaining $10.7 million remains unprogrammed and unallocated. Other funding for the Santa Cruz Branch Line includes $10 million programmed in the STIP in 2008 09. The Santa Cruz County Regional Transportation Commission is pursuing options including a reevaluation of the appraisals.

- **San Joaquin.** Proposition 116 authorized and the Commission allocated $14 million to the San Joaquin Council of Governments for expenditure on rail projects along the Stockton-Manteca-Tracy corridor to the Alameda County line (Altamont Corridor). The allocated projects are now complete. A balance of $65,130 remains unallocated and is available to the San Joaquin Council of Governments for Altamont Corridor rail projects, or could be reallocated by the Legislature to any other rail project in San Joaquin County.

- **San Joaquin Corridor.** Proposition 116 authorized and the Commission allocated $140 million to Caltrans for expenditure on improvements to the Los Angeles-Fresno-San Francisco Bay Area passenger rail corridor and extension of the corridor to Sacramento. Only $352 is unallocated and available to Caltrans for other projects in this corridor, or can be reallocated by the Legislature for Caltrans passenger rail projects anywhere in the state.

- **Solano.** Proposition 116 authorized and the Commission allocated $10 million to the City of Vallejo for expenditure on water-borne ferry vessels and terminal improvements. With the deallocation of project savings, an unallocated balance of $472,841 remains available.

- **Statewide Bicycle.** Proposition 116 authorized $20 million for a program of competitive grants to local agencies for capital outlay for bicycle improvement projects which improve safety and convenience for bicycle commuters. This entire amount was at one time programmed and allocated. However, through cost savings and project deletions, $460,847 remains unprogrammed and unallocated. The Commission is evaluating other competitive bicycle programs to determine the best use of the remaining funds.

- **Statewide Water-Borne Ferry.** Proposition 116 authorized and the Commission allocated $20 million for a program of competitive grants to local agencies for the construction, improvement, acquisition, and other capital expenditures associated with water-borne ferry operations for the transportation of passengers or vehicles. Through the deallocation of project cost savings, $29,350 remains unallocated. The Commission is currently determining the best process to program and allocate the small amount remaining.

- **State Museum Department of Parks and Recreation.** Proposition 116 authorized $5 million to the Department of Parks and Recreation (DPR) for construction of the California State Museum of Railroad Technology, to be provided "when sufficient funding for the entire project is available." None of this funding has ever been programmed or allocated. The California State Parks Foundation estimates that the total cost of the museum to be $25 million. The DPR has submitted its notice of intent for the Proposition 116 funds to the Department of Finance and the Legislature stating that its share of the costs had not increased because the two historic buildings for the museum were being donated. Thomas Enterprises, the new developer, has agreed to donate the buildings needed for the museum. ■

Seismic Safety Retrofit Program

The massive state seismic safety retrofit program is moving towards completion, with only the most complex and difficult bridges remaining. The Phase 1 seismic program, initiated after the 1989 Loma Prieta earthquake, was completed in May 2000. Under the Phase 2 program, initiated after the 1994 Northridge earthquake, the Department of Transportation (Caltrans) has retrofitted 1,148 bridges (including one completed in fiscal year 2006 07), another three bridges are under construction, one was advertised for construction and three remain in design. Caltrans has completed the retrofit of six of the seven state-owned toll bridges that required retrofitting. Work on the San Francisco-Oakland Bay Bridge (SFOBB) is under way, including a new east span with ten construction contracts and west approach with eight construction contracts. Retrofit of the SFOBB west span was completed in July 2004.

The SFOBB east span "Skyway" contract is 98 percent complete and is projected to be finished in January 2008. American Bridge/Flour the prime contractor for the signature Self Anchored Suspension (SAS) span of the SFOBB began production of the steel roadway deck sections and the steel tower in Shanghai, China. Over Labor Day weekend 2007 the entire SFOBB was closed to traffic for 70 hours to facilitate the removal and replacement of a 350-foot concrete viaduct on Yerba Buena Island. This event marked the first in a series of closures needed to build a 900-foot temporary detour structure to facilitate the removal of existing and construction of new transition structures between the Yerba Buena Island tunnel and the SAS span. The SFOBB west approach project is approximately 85 percent complete and is running ahead of schedule with an open to traffic date of April 2008 and a new early construction completion date of January 2009.

Meanwhile, progress continues slowly on the retrofit of local bridges, with about 61 percent of the bridge retrofits completed or under construction. Local agencies responsible for the retrofit work cited lack of funds to match federal funds as the major reason for the slow progress in retrofitting the local bridges. With the passage of Proposition 1B on November 7, 2006, $125 million in bond funds became available to local agencies for use as local match for federal funds. Delivery of local bridges should now only be controlled by the amount of federal bridge funds available each year and local agency design efforts.

Background

The seismic safety retrofit program is a major endeavor for Caltrans and the Business, Transportation and Housing Agency. Four major subprograms comprise the seismic safety retrofit program: Phase 1, Phase 2, toll bridges (state-owned) and local bridges. The current estimate to seismically retrofit the state-owned bridges is $11.62 billion: $1.08 billion for Phase 1, $1.35 billion for Phase 2 plus an additional $0.51 billion in State Highway Operation and Protection Program (SHOPP) funds, and $8.68 billion for the state-owned toll bridges. Nearly $1.63 billion more is required to retrofit local bridges not on the state highway system.

Phase 1

Using research developed following the 1971 Sylmar earthquake, Caltrans identified 1,039 state highway bridges in need of seismic retrofit. The bridges consisted mostly of single-column bridges deemed to be the most vulnerable during an earthquake. By May 2000, seismic retrofit construction of all Phase 1 bridges was completed at a cost of $1.08 billion, funded with gas tax money through the State Highway Account (SHA).

Phase 2

After the 1994 Northridge earthquake, Caltrans determined that an additional 1,155 state highway bridges (mostly multi-column bridges) were in need of seismic retrofit based on updated screening criteria. A total of $1.35 billion ($1.21 billion in Proposition 192 bond funds, approved by voters in March 1996, and $140 million in SHA and Multi-District Litigation (MDL) funds, expended prior to the passage of Proposition 192) was set aside to finance the retrofit of the 1,155 Phase 2 bridges.

For 2006-07, Caltrans reports that it completed construction on one more Phase 2 bridge, bringing the total completed as of June 30, 2007, to 1,148 bridges (99.3 percent). Of the remaining seven bridges, three (0.3 percent) are under construction with two scheduled to be completed in calendar year 2008 and one in 2009. One bridge (0.1 percent) was advertised for construction and three (0.3 percent) remained in the design stage. Caltrans reports that it still expects to complete construction on all but four of the Phase 2 bridges by December 2009. The four remaining Phase 2 bridges require replacement of existing major bridge structures under heavy traffic conditions (Commodore Schuyler F. Heim Bridge on Route 47 in the City of Long Beach, the 5th Avenue Bridge on Route 880 in the City of Oakland and two High Street Bridges on Route 880 in the City of Oakland). Caltrans does not expect to complete the seismic retrofit work on these four bridges until mid 2012.

Of the $1.21 billion made available from Proposition 192 for the Phase 2 bridges, $1.159 billion has been allocated as of June 30, 2007. The $1.159 billion does not include the $81.2 million allocated for Pooled Money Investment Account (PMIA) loan interest expenses as these costs are offset by the interest earned by the Surplus Money Investment Fund. Since the total cost to finish the Phase 2 bridges exceeds the remaining $51.0 million Proposition 192 unallocated balance, Caltrans' strategy is to utilize federal Highway Bridge Replacement and Rehabilitation (HBRR) funds available through the SHOPP program to complete the seismic projects where bridge replacement is the most cost-effective long-term retrofit and bridge rehabilitation solution. Through June 30, 2007, $22.5 million in SHOPP funds has been allocated to a Phase 2 bridge (Ten Mile River Bridge on Route 1 near Fort Bragg). Caltrans estimates that an additional $490.2 million in SHOPP funds is required to finish the Phase 2 bridges ($141.9 million 5th Avenue Bridge, $93.3 million High Street bridges and $255 million Schuyler Heim Bridge).

Toll Bridges

Seven of the nine state-owned toll bridges required some type of seismic retrofit work (including the Vincent Thomas and San Diego-Coronado Bridges, for which toll collection has been discontinued). By August 2005, seismic work had been completed on six of the bridges, the San Mateo-Hayward, the Carquinez Eastbound, the Benicia-Martinez, the Vincent Thomas, the San Diego-Coronado and the Richmond-San Rafael. Seismic work is underway on the SFOBB. Caltrans estimates seismic safety will be achieved on the SFOBB west span approach by mid-2008 and on the SFOBB east span by mid-2013. The SFOBB west span retrofit was completed in July 2004.

The funding plan for the Toll Bridge Seismic Retrofit Program (TBSRP) was originally established by SB 60 (1997) and was updated for cost increases, especially on the SFOBB, by AB 1171 (Chapter 907, Statutes of 2001) and AB 144 (Chapter 71, Statutes of 2005)/SB 66 (Chapter 375, Statutes of 2005).

AB 144 established a comprehensive financial plan for the TBSRP, including the consolidation of financial management of all toll revenues collected on the state-owned toll bridges in the San Francisco Bay Area under the jurisdiction of the Bay Area Toll Authority (BATA). The bill also provides $630 million in additional state funds and authorized BATA to increase tolls on January 1, 2007 by $1 on all Bay Area toll bridges. In addition, BATA received authority from the Legislature to set Bay Area tolls as necessary to cover any cost increases that would exceed the AB 144/SB 66 TBSRP cost estimate of $8.685 billion.

AB 144/SB 66 significantly strengthen oversight activities for the TBSRP by creating a Toll Bridge Program Oversight Committee (TBPOC) comprised of the Director of Caltrans, the Executive Director of BATA, and the Executive Director of the Commission.

The following chart shows the AB 144/SB 66 TBSRP retrofit cost estimates.

Estimated Costs to Retrofit Toll Bridges

Bridge	AB 144/SB 66 Estimate
Benicia-Martinez	$177,830,000
Carquinez (eastbound*)	114,130,000
Richmond-San Rafael	914,000,000
San Diego-Coronado	103,520,000
San Mateo-Hayward	163,510,000
Vincent Thomas	58,510,000
San Francisco-Oakland Bay Bridge	
West Span	307,900,000
West Span Approach	429,000,000
East Span Replacement	5,516,600,000
Subtotal	**$7,785,000,000**
Program Contingency	900,000,000
Total	**$8,685,000,000**

* A replacement bridge for the westbound Carquinez was financed with Regional Measure 1 toll funds.

Pursuant to AB 144, the Commission adopted a schedule for the transfer of remaining state funds to BATA to fund the TBSRP.

The following chart is the AB 144/SB 66 TBSRP retrofit cost estimates.

Toll Bridge Seismic Retrofit Funding (AB 1171 & AB 144)

Source of Funds (AB 1171)	
Bay Area Toll Bridges $1 Surcharge	$2,282,000,000
Proposition 192 Bonds	790,000,000
Public Transportation Account	80,000,000
San Diego-Coronado Bridge Account	33,000,000
Vincent Thomas Bridge Account	15,000,000
State Highway Account	1,437,000,000
State Highway Account Contingency	448,000,000
Subtotal Funds Available (AB 1171)	**$5,085,000,000**
Source of Funds (AB 144)	
Bay Area Toll Bridges Additional $1 Surcharge	$2,150,000,000
BATA Consolidation	820,000,000
Motor Vehicle Account (MVA)	75,000,000
Redirected Spillover	125,000,000
State Highway Account	430,000,000
Subtotal Funds Available (AB 144)	**$3,600,000,000**
Total Funds Available	**$8,685,000,000**

The following chart is the Commission-adopted state contribution schedule.

Schedule of State Contributions to the Toll Bridge Seismic Retrofit Program

($ in millions)

Source	Description / FY	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
AB 1171	SHA	$290									**$290**
AB 1171	PTA	$80	$40								**$120**
AB 1171	HBRR	$100	$100	$100	$42						**$342**
AB 1171	Contingency				$1	$99	$100	$100	$148		**$448**
AB 144	SHA*	$2	$8				$53	$50	$17		**$130**
AB 144	MVA	$75									**$75**
AB 144	Spillover		$125								**$125**
AB 144	SHA**									$300	**$300**
	Total	**$547**	**$273**	**$100**	**$43**	**$99**	**$153**	**$150**	**$165**	**$300**	**$1,830**

* Caltrans efficiency savings.

** SFOBB east span demolition cost.

In the early 1990s, Caltrans determined that the Antioch and Dumbarton toll bridges built in the late 1970s and early 1980s using design criteria developed after the 1971 Sylmar earthquake were not vulnerable during a major seismic event. Since that time, Caltrans has pursued an aggressive seismic research program, and based on results from that research has significantly revised its seismic design practices. Due to the tremendous changes in seismic design practices that have occurred since the design of the Antioch and Dumbarton Bridges, Caltrans recently completed seismic vulnerability studies of the two bridges. Caltrans has determined large foundation rotations are possible from a Maximum Credible Event (MCE) earthquake at the two bridges. These rotations may result in damage to the superstructure and possible damage to the piles. A comprehensive seismic analysis based on complete and accurate geotechnical soil data is being performed in order to make a determination of the level of retrofit required for the two bridges.

Local Bridges

In addition to the work necessary on state-owned bridges, Caltrans was charged with the responsibility of identifying the seismic retrofit needs of all non-state publicly owned bridges, except for bridges in Los Angeles County and in the unincorporated areas of Santa Clara County. To date, Caltrans, Los Angeles County, and Santa Clara County have identified 1,235 locally owned bridges in need of seismic evaluation. As of June 30, 2007, 196 (16 percent) of the 1,235 bridges were in the retrofit strategy development stage, 282 (23 percent) were in the design stage, 53 (4 percent) were under construction, and 704 (57 percent) were either completed or were judged not to require seismic retrofitting. The total cost of the local bridge retrofit program is roughly estimated at $1.631 billion (a $268 million increase from the June 30, 2006 report). Approximately $618 million has been spent or obligated for local bridges to date, leaving an estimated $1.013 billion needed to complete the remainder of the local retrofit work. Because 478 (39 percent) of the 1,235 bridges are still in the strategy development or design stages, the $1.013 billion estimate is subject to change. It is the responsibility of each public agency bridge owner to secure funding, environmental approvals, and right-of-way clearances, and to administer the construction contract.

With the passage of Proposition 1B on November 7, 2006, a $125 million Local Bridge Seismic Retrofit Account (LBSRA) was crated. Funds from the LBSRA will provide the 11.5 percent local match for the federal Highway Bridge Program (HBP) funds used to retrofit the local bridges. In the past lack of a funding source for the local match was cited by local agencies as the main reason for slow delivery of the local seismic retrofit bridges.

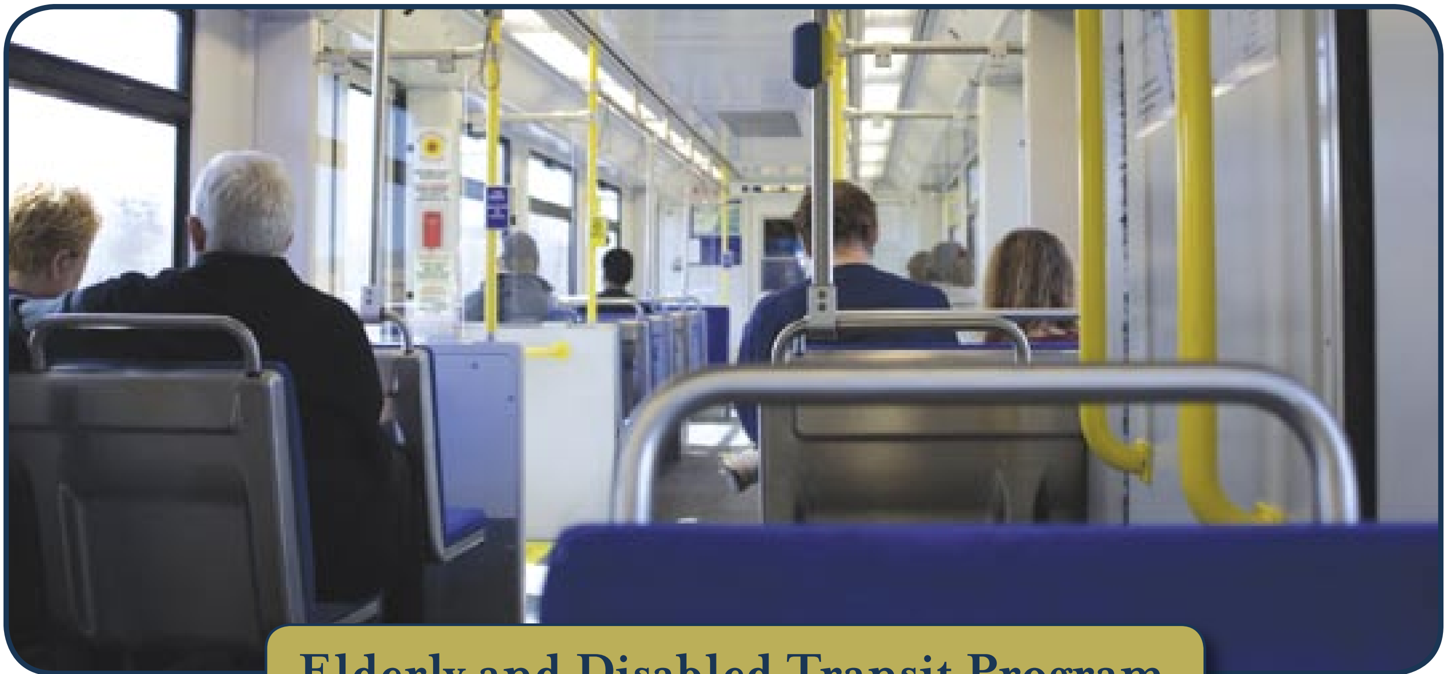
At the April 2007, Commission meeting Caltrans presented a list identifying 479 local seismic retrofit bridges that are eligible to receive matching funds from the $125 million LBSRA bond fund. Caltrans reported that on March 1, 2007, of the 479 eligible bridges 197 were in the retrofit strategy development stage and 282 were in the design stage.

Status of Proposition 192

The Seismic Retrofit Bond Act of 1996 (Proposition 192) authorized $2 billion in state general obligation bonds for the seismic retrofit of state-owned bridges. SB 60 (1997) limited the amount of Proposition 192 funds that could be expended for state toll bridge seismic retrofit to $790 million. The other $1.21 billion was directed to the Phase 2 seismic retrofit effort.

As of June 30, 2007, the amount of Proposition 192 funds allocated for Phase 2 seismic retrofit totaled $1,159.0 million, including $802.4 million for capital outlay and right-of-way, $256.8 million for project support costs, and $99.8 million to reimburse the 1994 95 and 1995 96 seismic project support expenditures made with SHA funds. The $81.2 million allocated for PMIA loan interest expenses that are usually offset by interest earned by the Surplus Money Investment Fund is not included in the $1,159 million total. The total amount of Proposition 192 funds allocated for toll bridge seismic retrofit as of June 30, 2006 is $789.0 million, including $673.5 million for capital outlay and right-of-way, $106.0 million for project support costs, and $9.5 million to reimburse the 1994-95 and 1995-96 seismic project support expenditures made with SHA funds.

The overall total of Proposition 192 funds allocated through June 2007 is $1,948.0 million, excluding the $81.2 million allocated for interest costs, leaving $51.0 million in bond authority available for allocation to Phase 2 retrofit projects and $1.0 million for toll bridge projects. ■



Elderly and Disabled Transit Program

In 1975, Congress established the Section 5310 program to provide financial assistance for nonprofit organizations to purchase transit capital equipment to meet the specialized needs of elderly and disabled individuals for whom mass transportation services are unavailable, insufficient, or inappropriate. Congress later extended program eligibility to public bodies that certify to the Governor that no nonprofit organizations are readily available in their area to provide the specialized service. The Program's implementing legislation designated the Governor of each state as the program administrator. In California, the Governor delegated this authority to the Department of Transportation (Caltrans).

In 1996, state legislation (AB 772) assigned the Commission a role in the Program. It mandated that the Commission direct the allocation of Program funds, establish an appeals process, and to hold at least one public hearing prior to approving each annual Program project list. To implement this mandate, the Commission developed an annual Program review and approval process in cooperation with regional transportation planning agencies, state and local social service agencies, the California Association for Coordinated Transportation and Caltrans.

The process adopted by the Commission calls for each regional agency to establish scoring based on objective criteria adopted by the Commission. A State Review Committee then reviews the scoring and creates a statewide priority list using the same criteria. The State Review Commission consists of representatives from the state Departments of Rehabilitation, Developmental Services, Aging and Transportation, with Commission staff acting as facilitator. When the State Review Committee has completed its review, the Commission staff and the committee hold a staff-level conference with project applicants and regional agencies to hear any appeals based on technical issues related to scoring. After the staff conference and a public hearing, the Commission adopts the annual Program project list. The list generally includes projects up to 110 percent of the funding level anticipated for the upcoming federal fiscal year. The excess is to allow for the use of federal funds saved or turned back from prior year projects. All projects receive 88.53 percent federal funding and require an 11.47 percent local match.

New Program Requirements

With the passage of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) certain federal formula programs, including the Section 5310 Elderly Individuals and Individuals with Disabilities Transit Program, are required to be derived from a coordinated public transit-human services transportation plan for funding. SAFETEA-LU also expanded the list of eligible projects to include management mobility activities.

The FTA released final written guidance related to the coordinated planning requirement in February 2007. Consequently, in accordance with the program circular, the project application and project evaluation criteria needs to be updated to include the coordinated public transit-human services transportation plan requirement and management mobility activities. To assist the Commission in updating the application and evaluation criteria, the Commission reconvened its Section 5310 Advisory Committee. The revised application and evaluation criteria will be presented to the Commission at its January 2008 meeting for public notice and adoption at the Commission's February 2008 meeting.

State Rail Program

State-supported intercity rail passenger service operates in three corridors:

- Capitol (Auburn-Sacramento-Oakland-San Jose)
- Pacific Surfliner (San Luis Obispo-Los Angeles-San Diego)
- San Joaquin (Bay Area/Sacramento-Fresno-Bakersfield, via bus to Los Angeles)

The Department of Transportation (Caltrans) plans and administers state funding for the Pacific Surfliner and San Joaquin services, while the Capitol Corridor Joint Powers Authority (CCJPA) plans and administers the Capitol Corridor. Caltrans is responsible for developing the annual state budget requests for all three services. The National Passenger Rail Corporation (Amtrak) operates the services under contract with Caltrans and the CCJPA. Under the federal 1970 Rail Passenger Service Act (49 USC 24102), only Amtrak has statutory rights to access privately owned railroads at incremental cost for intercity passenger rail service.

The California High-Speed Rail Authority (Authority) directs the development and implementation of high-speed rail. The 1996 Act creating the Authority defined high-speed rail as "intercity passenger rail service that utilizes an alignment and technology that make it capable of sustained speeds of 200 miles per hour or greater." The Authority approved in late 2005 a program-level environmental impact statement for a 700 mile system. Last year the Authority started the implementation phase. It issued contracts for engineering work and project specific environmental impact reports/statements for specific segments of the proposed route from San Diego to Los Angeles to Fresno to Sacramento. The $9.95 billion bond measure that would have provided initial financing for the system was delayed, when the Governor signed an urgency bill, AB 713 (Chapter 44, Statutes of 2006), to delay the bond measure to the November 2008 general election.

Over the past several years, the state rail program faced the same funding constraints and uncertainties that confronted the rest of the state transportation program. The funding picture improved in 2006-07, when the Governor and Legislature agreed to transfer $1.4 billion to fund transportation, as permitted by Proposition 42. With the passage of SB 717 (Chapter 733, Statutes of 2007), however, the rail program faces a reduction in non-bond funds being available for capital purposes.

Operating subsidies for the state-supported intercity rail services have been stable. For the last five years, the State has annually appropriated $73 million from the Public Transportation Account for intercity rail service. Amtrak has provided about $11 million annually from federal funds (which includes $10 million to operate the 30 percent of Pacific Surfliner service that is not State-supported). The Legislature increased the operating subsidy this year by almost seven million dollars to $79.7 million. Threatened federal cutbacks in support for Amtrak are of concern to California primarily because of their implications for capital funding and for Amtrak's valuable operating rights.

Intercity Rail Project Funding, Delivery, and Ridership

In 2007, the California Transportation Commission (Commission) allocated $40.4 million for 17 intercity rail projects. An example of the type of project that received an allocation is the initial triple tracking of the Pacific Surfliner line between Los Angeles and Fullerton. Examples of other projects funded in previous years and completed include the double tracking of the San Joaquin between Shirley and Hanford, adding a siding on the Capitol Corridor near Santa Clara, and overhauling 26 California cars.

The voters passed in November Proposition 1B, which provided $19.9 billion. Proposition 1B specifies that $400 million is available for an Intercity rail program and that least $150 million of the $400 million is for purchasing locomotives and rail cars. Caltrans presented to the Commission in December the guidelines it will use in identifying candidate projects. After the Commission gives it consent and approval, Caltrans will return in early 2008 with a list of projects and ask the Commission for its consent.

In the United States, the Northeast Corridor enjoys the highest rail passenger ridership. California started its support of intercity passenger rail in September 1976. Thirty-one years ago, the State funded a fourth round trip of the Pacific Surfliner, then known as the San Diegan. From those modest beginnings, California's support of intercity passenger rail grew. Today, the Pacific Surfliner, Capitol and San Joaquin corridors have respectively the second, third and fifth-highest intercity ridership among passenger rail corridors in America. In September 2006, the Capitol Corridor JPA increased the Capitol's service frequency from 24 to 32 weekday trains between Sacramento and the San Jose/Bay Area. This frequency is equal to the service offered on the Northeast Corridor between Boston and New York.

High-Speed Rail Programmatic Environmental Document

The Authority is responsible for planning, constructing, and operating a high-speed rail system with trains capable of maximum speeds of 125 miles per hour. The Authority is the lead state agency for the Environmental Impact Report (EIR), and the Federal Railroad Administration (FRA) is the lead federal agency for the Environmental Impact Statement (EIS). In early 2004, the Authority released for comment its draft program-level EIR/EIS for a 700 mile high-speed train system serving Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego. High-speed trains would be capable of maximum speed of at least 200 miles per hour with an expected trip time from San Francisco to Los Angeles in just over 2 hours and 30 minutes. The Authority projects the system to carry up to 42 – 68 million passengers per year by 2020 at a low passenger-cost per mile.

In November 2005, the Authority certified its Final program-level EIR/EIS. It modified the preferred alignment and station locations for the Final Program EIR/EIS to include:

- Further study for a wide corridor between Burbank and Los Angeles Union Station;
- A Central California Traction alignment option between Sacramento to Stockton; and
- A commitment to work with local, state, and federal agencies on more planning studies between Fresno and Bakersfield to evaluate alternate alignments, including a Visalia access point.

This year the Authority began work on a number of activities that will lead to implementing a high-speed rail system. The Authority began work on project level EIR/EIS for the Los Angeles to Anaheim Project level EIR/EIS. The Authority selected the Pacheco Pass Alignment, via San Jose to San Francisco, as the preferred alternative in its Bay Area – Central Valley Program EIR/EIS. For next year, the Authority plans to continue its work on identifying high priority right-of-way segments that merit preservation, continue preliminary engineering and design and project-level environmental studies.

High-Speed Rail Bond Measure

SB 1169 (Chapter 71, Statutes of 2004), delayed the submission of a $9.95 billion high-speed rail bond measure from the November 2004 ballot, as called for by SB 1856 in 2002, to the November 2006 ballot. The impetus for the delay was the state budget deficit and the funding uncertainty that faces the remainder of the state transportation program.

The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century would have provided $9 billion in bonds issuances in conjunction with available federal funds to plan and construct a high-speed rail system pursuant to the business plan of the Authority. Another $950 million would have been available for capital projects on other passenger rail lines to provide connectivity to the high-speed system and for capacity enhancements and safety improvements to those lines.

AB 713 (Chapter 44, Statutes of 2006) extended the deadline from the November 2006 date to November 2008. The high-speed rail project will not receive any of the $19.9 billion in Proposition 1B bond funds that passed in November 2006. In light of projected shortfalls, the Legislature may decide to delay a 2008 vote on the bond to a future year. The Authority may face budget issues in 2008-09. Last year the Administration initially proposed to reduce the Authority's funding from about $14.3 million in 2006-07 to $1.1 million in 2007-08. The Legislature and Administration ended up funding the Authority for $17.2 million. Had this not happened, the Authority would have suspended contracts and the associated work demobilized and halted.

Amtrak Restructuring

Amtrak continues to face an uncertain future. In the Amtrak Reform and Accountability Act of 1997, Congress mandated that Amtrak achieve self-sufficiency by the end of 2002 and created the Amtrak Reform Council to review its performance. In February 2002, the Council recommended that Congress restructure Amtrak. Many members of Congress support funding Amtrak to preserve a valuable national asset. Others do not.

This summer the House approved a $1.4 billion budget for Amtrak in FFY 2008, up from $1.3 billion in FFY 2007. The Senate approved a $1.37 billion budget. The joint conference committee compromised on $1.375 billion in November. The House has accepted the compromise and passed the Amtrak budget bill, but the Senate has yet to hear it. The conference agreement also includes a new $75 million intercity passenger rail grant program, which will provide 50-50 matching grants to states for capital projects for passenger rail.

The Administration proposed, however, only $800 million for Amtrak. The Administration is threatening to veto the bill because of what it views as excessive spending and objectionable provisions. The debate over conflicting visions for Amtrak continues. California's interest in the debate should continue to focus on the need for capital facilities and operating rights.

For California, the potential loss of federal operating subsidies for Amtrak is of relatively little concern. Currently, California pays about $79.7 million per year in operating costs, as compared with $11 million from federal funding. The California contribution is well over one-half the total contribution of all the states.

California is concerned that the State receives a fair share of any federal proposal for funding capital improvements. Past Congressional actions have directed the bulk of Amtrak appropriations to the Northeast Corridor. Previous Senate action targets the bulk of the capital funding toward the Northeast Corridor to bring it up to a state of good repair. The federal government's actions ignore the $1.7 billion that California has invested in intercity rail capital improvements since the mid 1970s.

Of most concern to California, however, is the federal statute that grants Amtrak operating rights, at incremental cost, for intercity rail passenger service on private railroads. If Congress considers restructuring, these rights should stay in the public domain, either through Amtrak, another federal agency, or through delegation to the states. Without these operating rights, California's ability to provide state-supported intercity passenger rail service is problematic. Only the route between Los Angeles and San Diego is now in public ownership. If California were to continue service without Amtrak's operating rights, the railroads could either require the state to acquire the right-of-way or to pay significantly more for operating rights than Amtrak now pays.

At the federal level, the issue of Amtrak restructuring remains unresolved. When the Bush Administration and Congress take up the issue again, California should work through its Congressional delegation to protect the state's primary interests, which are:

- Most importantly, preserving Amtrak's operating rights on private railroads.
- Achieving a reasonable share of any federal funding for rail capital improvements by recognizing the contribution of state matching funds.

Commissioners:

James C. Ghielmetti, Chair
John Chalker, Vice Chair
Bob Alvarado
Marian Bergeson
James Earp
Carl Guardino
R. Kirk Lindsey
Joseph Tavaglione
Larry Zarian

Ex-Officio Members:

The Honorable Alan Lowenthal, Member of the California Senate
The Honorable Pedro Nava, Member of the California Assembly

Staff Members:

John Barna, Executive Director
David Brewer, Chief Deputy Director
Andre Boutros
Susan Bransen
Robert Chung
Teresa Favila
Mary Lea Filbert
Annette Gilbertson
Juan Guzman
Stephen Maller
Dina Noel
Nina Hoang
Maura Twomey
Jennifer Waldon
Mitchell Weiss

Designed by Pat Davis Design Group, Inc.

California Transportation Commission
1120 N Street, MS-52
Sacramento, California 95814
Tel: 916.654.4245
Fax: 916.653.2134